

# **Draft Statement of Accounts 2010/11**

***June 2011***

## Community languages

**If you find it easier to read large print, use an audio tape or Braille or need to communicate in a language other than English, please let us know. ☎ 020 8726 6000.**

### Bengali

যদি ইংরাজী ছাড়া আর অন্য কোনো ভাষায় সহজে যোগাযোগ করতে পারেন তবে দয়া করে তাই করবেন। দোভাষীর এবং অনুবাদকের [ট্রান্সলিটারের] ব্যবস্থা করা যেতে পারে। টেলিফোন করুন **02087266000**।

### Chinese

如果你覺得說用除英語以外的另一種語言能夠更容易溝通的話，可作這樣選擇的。若是需要，你可以得到安排傳譯員及翻譯員的幫助。詳情請打電話號碼 **020 8726 6000**。查詢。

### Francais

Vous avez la possibilité de communiquer dans une autre langue que l'anglais, si cela est plus facile pour vous. Des interprètes et traducteurs sont à votre disposition: **020 8726 6000**.

### Gujarati

અંગ્રેજી સિવાયની બીજી કોઈ એક ભાષામાં તમે આસાનીથી વાતચીત કરતા હો તો એવું કરવા વિનંતી છે. દુભાષિયાની અને ભાષાતરકારની સગવડ તમને પણ મળી શકે છે. આ માટે ટેલિફોન નંબર **020 8726 6000** ને ઉપયોગ કરવો.

### Hindi

यदि आपको अंग्रेजी के अलावा किसी और भाषा में आसानी से बात कर सकते हैं तो कृपया अवश्य करें। दोभाषिया और अनुवादक का प्रबन्ध किया जा सकता है। टैलिफोन : **020 8726 6000**.

### Punjabi

ਜੇਕਰ ਤੁਹਾਨੂੰ ਅੰਗਰੇਜ਼ੀ ਤੋਂ ਇਲਾਵਾ, ਕਿਸੇ ਹੋਰ ਬੋਲੀ ਵਿਚ ਗੱਲ ਕਰਨੀ ਆਸਾਨ ਲਗਦੀ ਹੈ ਤਾਂ ਕ੍ਰਿਪਾ ਕਰਕੇ ਜ਼ਰੂਰ ਕਰੋ। ਦੋ-ਭਾਸ਼ੀਏ ਅਤੇ ਤਰਜਮਾ ਕਰਨ ਵਾਲਿਆਂ ਦਾ ਪ੍ਰਬੰਧ ਕੀਤਾ ਜਾ ਸਕਦਾ ਹੈ। ਟੈਲੀਫੋਨ ਨੰਬਰ ਹੈ: **020 8726 6000**.

### Somali

Haddii ay kula tahay in si fudud laguugu fahmi karo luqo aan ahayn Ingiriisi, Fadlan samee sidaa. Afceliyeyaal iyo tarjubaano ayaa lagu qaban. Telifoonku waa **020 8726 6000**.

### Tamil

உங்களுக்கு ஆங்கிலம் தவிர வேறு மொழியில் பேசுவதற்கு எளிதாக இருந்தால், தயவு செய்து பேசவும். மொழி பெயர்ப்பாளர்கள் வழங்கப்படுவார்கள். தொ. **020 8726 6000**.

### Turkish

İri yazılmış harfleri okumayı, ses kaseti veya Braille (kör) alfabesi kullanmayı daha kolay buluyorsanız, veya bizimle İngilizceden başka bir dilde iletişim kurmak istiyorsanız bu imkanı sağlayabiliriz. Yazılı ve sözlü tercüman temin edilir. Telefon **020 8726 6000**.

### Urdu

اگر آپ انگریزی کے علاوہ کسی اور زبان میں بات کرنے میں آسانی محسوس کرتے ہیں تو ازراہ کرم ایسا ہی کیجئے۔ آپ کیلئے ترجمان اور تحریری ترجمہ کرنے والے فراہم کئے جاسکتے ہیں۔ ٹیل فون نمبر: **020 8726 6000**.

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### THE AUTHORITY'S RESPONSIBILITIES

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Deputy Chief Executive and Executive Director of Corporate Resources and Customer Services;
- to approve the Statement of Accounts.

### THE RESPONSIBILITIES OF THE DEPUTY CHIEF EXECUTIVE AND EXECUTIVE DIRECTOR OF CORPORATE RESOURCES AND CUSTOMER SERVICES

The Deputy Chief Executive and Executive Director of Corporate Resources and Customer Services is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2011.

In preparing the statement of accounts, the Deputy Chief Executive and Executive Director of Corporate Resources and Customer Services has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice;
- kept proper accounting records which are up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

**CERTIFICATE OF THE EXECUTIVE DIRECTOR OF CORPORATE RESOURCES AND CUSTOMER SERVICES**

**LONDON BOROUGH OF CROYDON AND LONDON BOROUGH OF CROYDON PENSION FUND  
FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011**

**CERTIFICATE OF THE DEPUTY CHIEF EXECUTIVE AND EXECUTIVE DIRECTOR OF CORPORATE RESOURCES AND  
CUSTOMER SERVICES**

I certify that this statement of accounts is an accurate summary of the accounts of the London Borough of Croydon and the London Borough of Croydon Pension Fund, for the financial year 2010/11 prepared in accordance with the accounting policies stated.

A handwritten signature in dark ink, appearing to read 'N/E', followed by a long horizontal flourish.

Nathan Elvery, Deputy Chief Executive and Executive  
Director of Corporate Resources and Customer Services

30 June 2011

## REPORT OF THE AUDITOR

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF CROYDON

## REPORT OF THE AUDITOR

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF CROYDON

**CONCLUSION ON ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN THE USE OF RESOURCES**

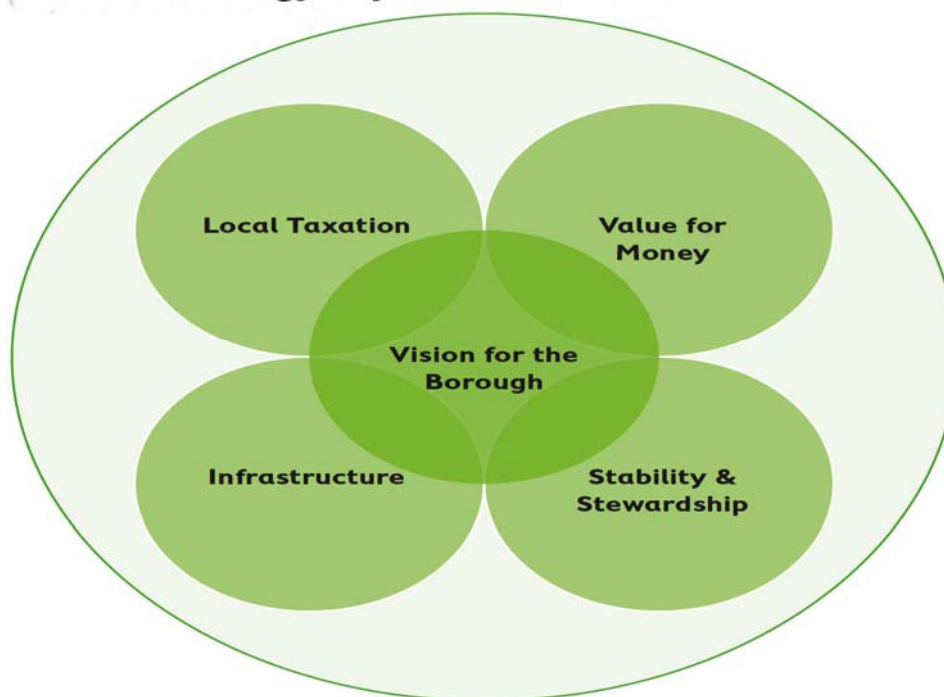


## EXECUTIVE SUMMARY

The Council manages its financial affairs within the framework of a four year financial strategy which currently covers the period 2010/14. The objectives framework and the 10 financial objectives are shown below.

Diagram 1

### Financial Strategy Objectives Framework



### Financial Strategy Objectives

The ten objectives of the financial strategy act as the key measurer for the success of the strategy ensuring sound governance, strong financial management and delivery for the residents of the borough.

1. To work with our partners to enable the achievement of the Vision for the borough
2. To ensure all resource allocation is policy led, based on the best evidence and strongly influenced by our residents priorities
3. To keep local taxation increases to a minimum
4. To deliver a minimum of 20% efficiencies over the life of the strategy
5. To optimise income opportunities
6. To increase general fund balances to 5% of net operating expenditure, maintaining a minimum of 3%, over the life of the strategy
7. To maintain an appropriate level of reserves and provisions
8. To provide strong financial services, systems and processes to deliver and support a balanced budget
9. To remain within prudential borrowing limits at all times
10. To prioritise future capital investment within the borough to deliver our infrastructure needs.

The Budget for 2010/11 was funded by an average band D Council Tax of £1,150.11. The local taxation increase for Croydon in 2010/11 was 1.07% with an overall increase of 0.84%, the lowest increase for eight years. This enabled additional investments in key local priorities of the new financial strategy.

Croydon has the **6th lowest** level of Council Tax of Outer London floor authorities. This has been achieved by delivering substantial levels of efficiencies during the year (£14.4m) and building upon our efficiency achievements over the medium term (£68.8m), ensuring we continue to deliver improved value for money to you, our residents by improving our services and keeping local taxation increases to the minimum possible in line with the objective of the strategy.

2010/11 was the last year of the previous Local Government Finance Settlement. Croydon received a Formula Grant increase of just 1.5%. The new Coalition Government's Emergency Budget resulted in an in-year reduction of Government Grants (both Area Based and Specific Grants) of £8.635m. The Comprehensive Spending Review (CSR) 2010 reduced Croydon's Specific Grants by a further £1.812m alongside an 11.2% Formula Grant reduction. Despite the loss in funding, the Council's strong financial controls and strong budget management assured a balanced outturn position was achieved without a disruption to services or an impact on local taxation levels.

The level of Reserves and Balances remain vital in ensuring that we can continue to manage the Council's budget in the current challenging financial environment.

## **STATEMENT OF ACCOUNTS**

The Statement of Accounts for the year ended 31 March 2011 has been prepared and published in accordance with the Accounts and Audit Regulations 2003 and the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (based on International Financial Reporting Standards). It has been jointly developed by the Chartered Institute of Public Finance and Accounting (CIPFA) / Local Authority (Scotland) Accounts Advisory Committee (LASAAC). The statement was approved by the Corporate Services Committee of the Council on 29 June 2011.

The accounts comprise the following key statements:

- The Comprehensive Income and Expenditure Statement - a statement that brings together the income received and the expenditure incurred on all of the Authority's functions;
- Movement in Reserves Statement - a statement that summarises the Surplus / Deficit on the Comprehensive Income and Expenditure Statement and the movement on the Balance Sheet;
- Balance Sheet - this shows the Council's overall financial position at the end of the financial year;
- Cash Flow Statement - this shows a summary of the cash flowing in and out of the Council arising from our transactions with third parties;
- Housing Revenue Account - this shows the revenue and balance sheet position for the Authority's own housing stock on the current ring-fenced basis;
- Collection Fund - this statement summarises the collection and application of proceeds from Council Tax and National Non-Domestic Rates (Business Rates) and Crossrail Business Rates Supplement;
- Group Accounts - this statement consolidates the accounts for the Authority and its material interest in other bodies over which it exercises control; and
- Pension Fund Accounts - this statement presents the separate accounts of the Pension Fund.

The outturn position as reported in the Comprehensive Income and Expenditure Statement is significantly affected by the value of the Council's property. This is a result of changes to the value of the property portfolio bought about by the downward revaluation of the housing stock.

## **GENERAL FUND OUTTURN 2010/11**

The Council's revenue budget outturn for 2010/11 was a breakeven position, with an overspend on our services of £1.746m after a net contribution of £0.556m to earmarked reserves. The General Fund balance carried forward to 2011/12 is £11.597m which exceeds the target (3%) for balances for 2010/11 and ensures delivery of that financial strategy target (5%) for the 2010/14 period.

Table 1 shows the Council's balances, reserves and provisions at 31 March 2011, compared with the previous three years.

**Table 1 - Movement in Reserves and Balances**

<b>Reserves and Balances</b>	<b>2007/08 £m</b>	<b>2008/09 £m</b>	<b>2009/10 £m</b>	<b>2010/11 £m</b>	<b>Financial Strategy Target (5%) £m</b>
General Fund Balances	9.286	9.300	11.597	11.597	14.100
Earmarked Reserves	19.033	25.641	38.018	38.574	38.574
General Fund Provisions	11.864	15.134	23.568	25.707	25.707
<b>Total</b>	<b>40.183</b>	<b>50.075</b>	<b>73.183</b>	<b>75.878</b>	<b>78.381</b>

The table excludes Schools reserves.

## **PROGRESS IN DELIVERING THE COUNCIL'S FINANCIAL STRATEGY**

### **CONTRIBUTION OF 2010/11 TO THE FINANCIAL STRATEGY**

The Council has made significant progress in the achievement of its strategic financial objectives set out in the Financial Strategy.

Progress in achievement of the Council's strategic objectives and service outcomes will be presented to our residents through our Annual Report which will be published in October 2011.

### **1. TO WORK WITH OUR PARTNERS TO ENABLE THE ACHIEVEMENT OF THE VISION FOR THE BOROUGH**

A number of initiatives and plans are already in place with a number of partners in the borough that seek to ensure that the Council works with its businesses and residents to achieve the Vision for the borough.

By way of example include the following:

#### **Enterprising City**

The Employment and Skills Plan has been developed with Croydon College and Job Centre plus and will be monitored through the newly revived Employment and Skills Partnership Group.

### Learning City

The Authority is also continuing to work closely with Croydon's schools to further drive up performance, particularly at GCSE and A Level, alongside further investment in academies, such as the Oasis Academy in Coulsdon, to turnaround historic areas of under performance. This has helped to further increase GCSE and A level results, and a further academy, The Quest Academy, has opened in Selsdon.

### Creative City

The Parks to be Proud of project has received over 11,000 votes with participants choosing their favourite nine parks from a choice of 15 across the borough and identifying the improvements they would like to see through the community Engagement Programme.

### Caring City

We continue to transform adult social care in line with "Putting People First" through implementing self-directed support by: piloting and evaluating the personalisation (community reintegration) project for people with substance misuse problems, involving personal budgets for 20 people, and rolling out a new model of service

### Sustainable City

Publish a carbon reduction plan for the Council that will reduce carbon emissions of the Council by 2.5% within 12 months and ensure that Croydon complies fully with the national Carbon Reduction Commitment Energy Efficiency Scheme.

### Connected City

A review of the internal governance arrangements within the organisation has led to all staff being provided with easy access to the Council's main processes and procedures on a revamped intranet. The 'Doing the right thing' intranet site has been completed, and pulls together information about the council's main processes and procedures.

## 2. TO ENSURE ALL RESOURCE ALLOCATION IS POLICY LED, BASED ON THE BEST EVIDENCE AND STRONGLY INFLUENCED BY OUR RESIDENTS PRIORITIES

During 2010/11 the Council introduced new mechanisms to improve overall understanding of resident satisfaction and service priorities in every area of our community. This has been fed into the council's overall performance monitoring arrangements to ensure the organisation's priorities are aligned to residents needs. The Council has also used customer feedback and insight to inform specific projects such as the redesign of customer access and a review of street based services.

During 2010/11 the Council also carried out an extensive budget consultation exercise. Overall 2,500 people engaged with the consultation. Of those, 1,100 submitted a completed response. From the results of the consultation our residents identified the following priorities:

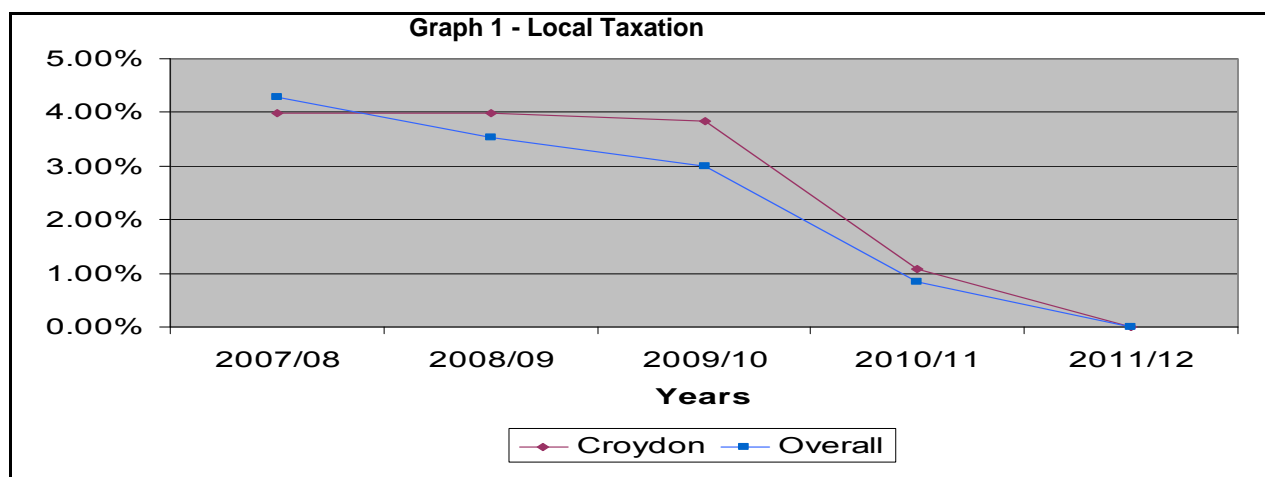
- protecting the vulnerable in our communities;
- providing education;
- looking after children who could be at risk;
- street cleaning and rubbish collection.

Through our customer engagement, this has helped to shape the financial planning principles for the financial strategy period.

## 3. TO KEEP LOCAL TAXATION INCREASES TO A MINIMUM

The financial strategy aims to ensure that increases in council tax are kept to a minimum so that local taxation can be kept at an affordable level whilst balancing the spending priorities for the borough and the reducing level of central government support.

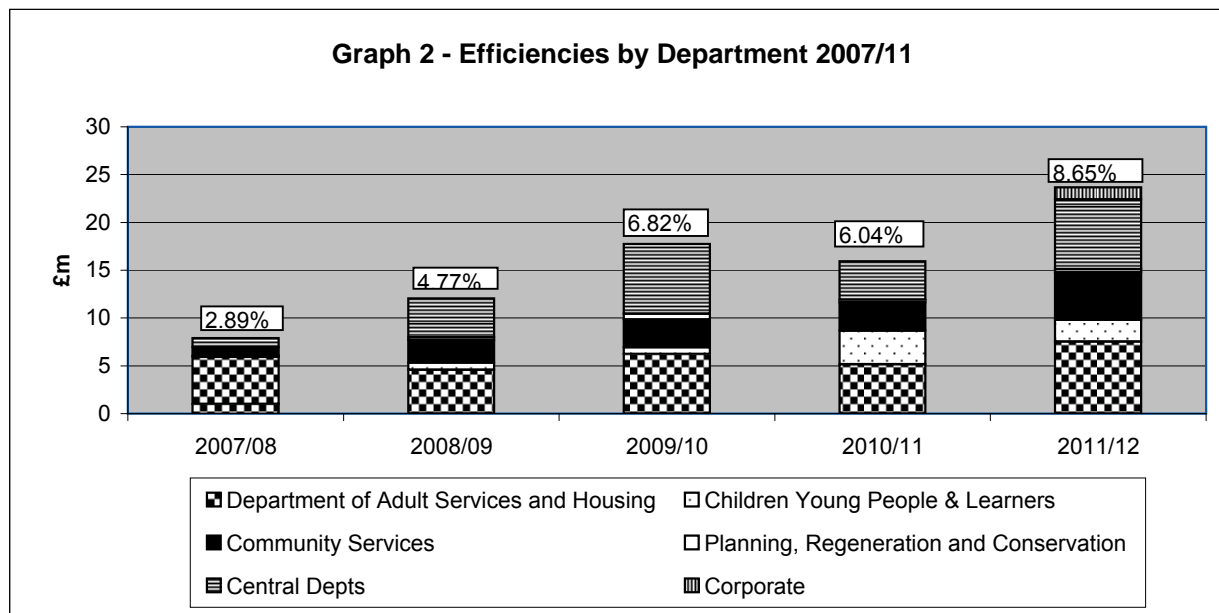
Graph 1 below shows how the Council has reduced local taxation over the last four years.



#### 4. TO DELIVER A MINIMUM OF 20% EFFICIENCIES OVER THE LIFE OF THE STRATEGY

The requirement to ensure the delivery of the efficiency and transformation agenda is critical moving forward. As a consequence of this, the Council has developed the "Step Change Croydon" programme to enable it to balance the budget over the next financial strategy period aiming to achieve £10m per year in savings across council services.

Graph 2 below gives the details of the efficiencies over 2007/11 by department. Had these efficiencies not been identified it would have resulted in an equivalent increase of 71% in council tax over the financial period.



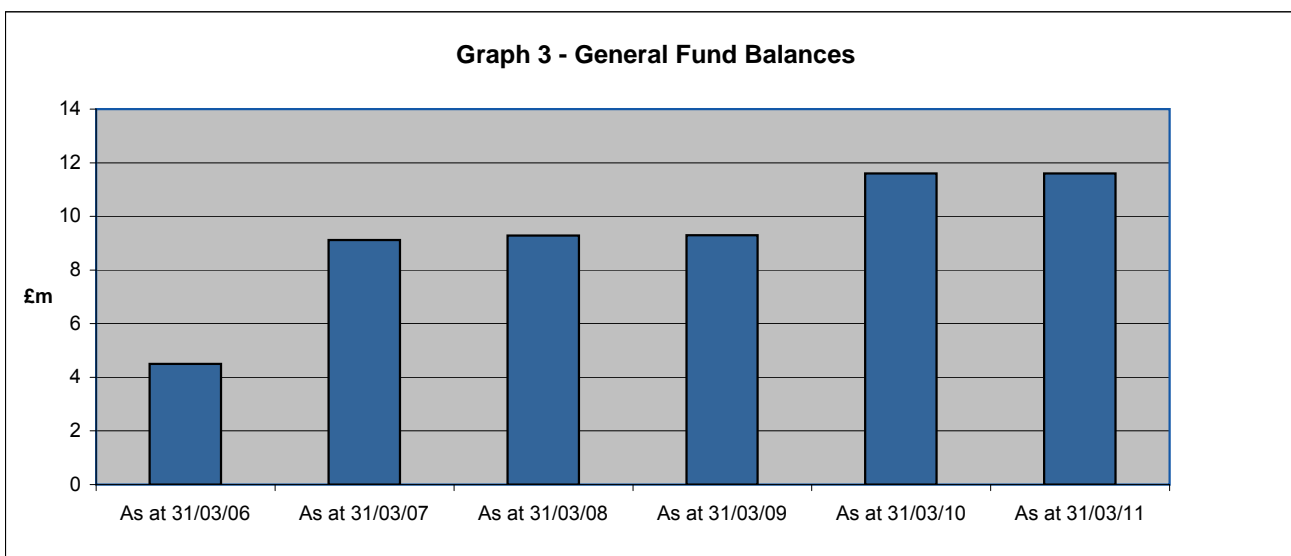
#### 5. TO OPTIMISE INCOME OPPORTUNITIES

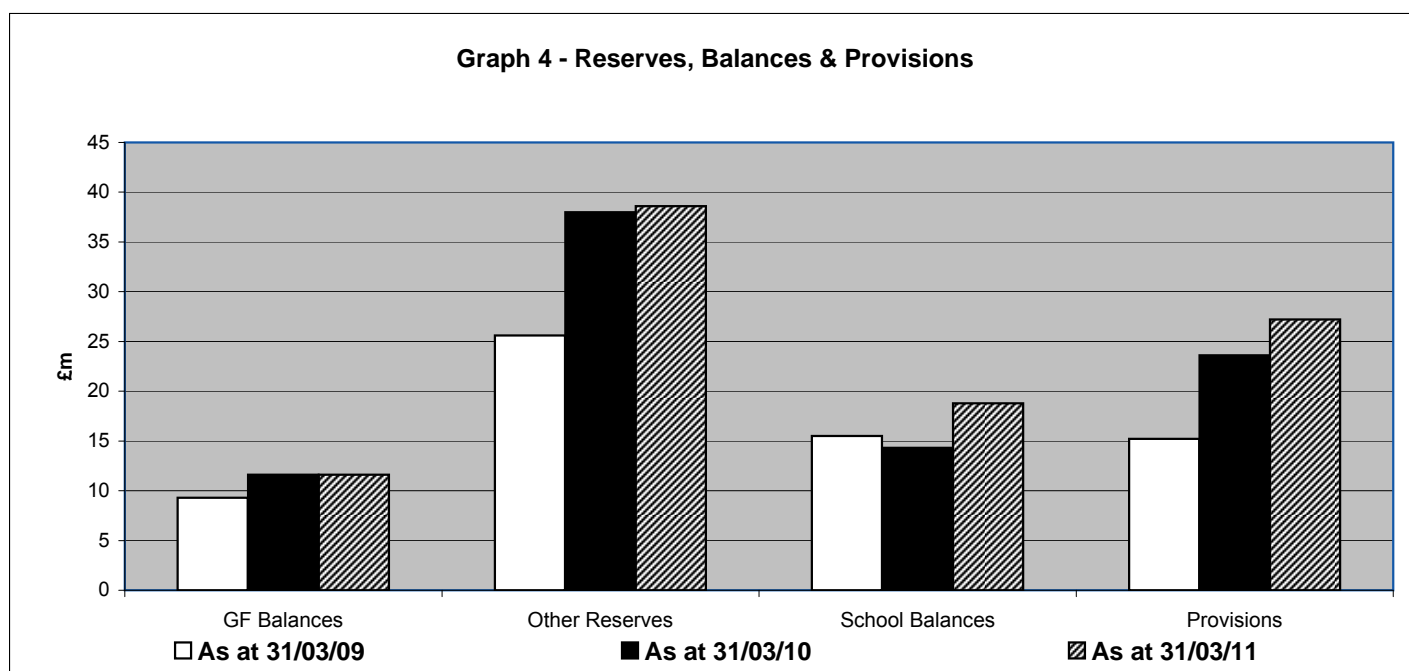
Income-optimising opportunities are continuously reviewed to ensure that the Council is recovering its costs on those services that are chargeable. This is achieved by:

- A deliberate move away from using historical prices to inform fees and charges;
- Understanding the true cost of providing services and to price accordingly recognising the service users for the services that are being charged;
- Developing a commercial/entrepreneurial culture within the Council;
- Maximising funding from Regional, National and European bodies.

#### 6. TO INCREASE GENERAL FUND BALANCES TO 5% OF NET OPERATING EXPENDITURE, MAINTAINING A MINIMUM OF 3%, OVER THE LIFE OF THE STRATEGY

The level of general fund balances as at 31 March 2011 is £11.597m. This remains the same as the previous year and represents 4.1% of net service expenditure.



**7. TO MAINTAIN AN APPROPRIATE LEVEL OF RESERVES AND PROVISIONS**

The Council has rebuilt the level of provisions and reserves in order for it to meet future liabilities and more importantly in order to enable the delivery of its future strategic ambitions and priorities in the current challenging financial environment.

**8. TO PROVIDE STRONG FINANCIAL SERVICES, SYSTEMS AND PROCESSES TO DELIVER AND SUPPORT A BALANCED BUDGET**

The finance team has:

- produced a balanced budget;
- kept Council Tax low;
- produced the annual accounts on time with a good audit opinion;
- provided strong financial controls to ensure outturn is within budget;
- carried out a budget consultation with our residents.

**9. TO REMAIN WITHIN PRUDENTIAL BORROWING LIMITS AT ALL TIMES**

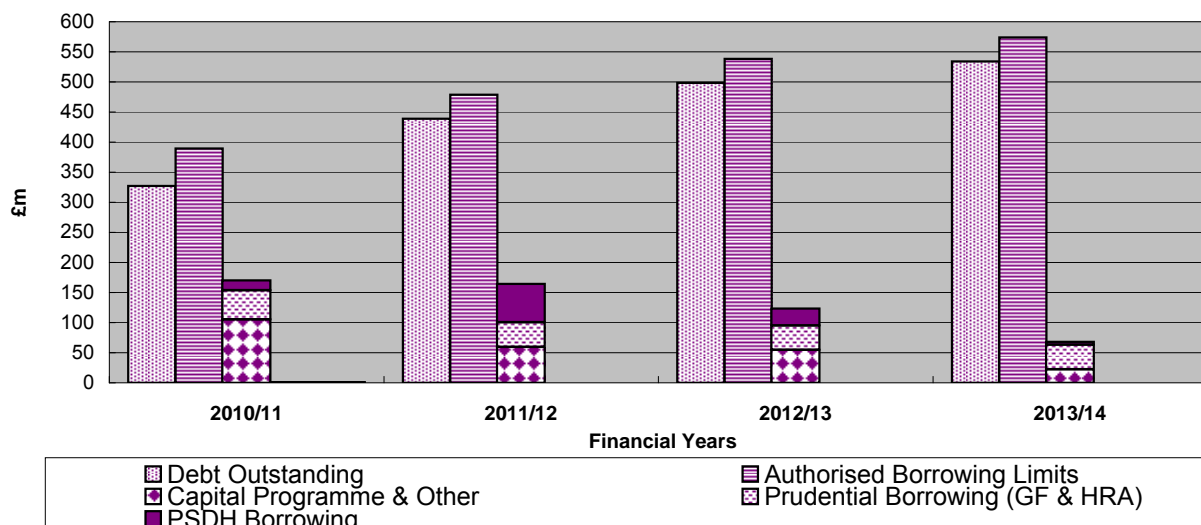
To provide for the sustainable, affordable and prudent management of its capital investment strategy, the Council has agreed a set of Prudential Indicators for 2010/11;

The Council's Authorised Borrowing Limit for the year is contained within these Prudential Indicators. Remaining within this limit is key to the effective management of the Council's capital expenditure.

The Borrowing Limit and the Council's performance against them are set out below:

Authorised Borrowing Limit 2010/11	£389.6m
Maximum Level of Debt during 2010/11	£347.3m

Graph 5 - Prudential Indicators for 2010/11 to 2013/14



## 10. TO PRIORITISE FUTURE CAPITAL INVESTMENT WITHIN THE BOROUGH TO DELIVER OUR INFRASTRUCTURE NEEDS

The 20 year Capital Strategy 2010-30 was approved by Cabinet on 15 November 2010 (Min A135/10). The Strategy sets out how Croydon will finance, allocate and manage investment in assets efficiently to achieve the Vision set out in "We Are Croydon".

The Strategy's objectives are to:

- i) Prioritise and coordinate funding to achieve the Council's vision;
- ii) Invest in the most beneficial projects to meet Croydon's long term requirements; and
- iii) Manage investment efficiently and effectively.

### HOUSING REVENUE ACCOUNT (HRA)

The 2010/11 Housing Revenue Account shows a net contribution to reserves of £1.656m. This was the 5th year in succession that there was a surplus to transfer into reserves.

At 31 March 2011 the HRA reserves were made up as follows:

Working balance £1.200m;  
Housing repairs fund £4.937m.

### CAPITAL

The original approved General Fund Services capital programme (excluding the Housing Investment Programme) totalled £120.823m and was increased during the year to £175.680m to reflect the brought forward programme from 2009/10 and additional government grants. Outturn capital spending was £119.437m, with the underspending of £56.243m (32%) mainly attributable to slippage in the delivery of schemes.

Capital schemes in 2010/11 included the delivery of:

- Improvement works to the highways;
- Continuing the Recycling expansion;
- Continuing the drive to meet the Decent Homes Standard;
- Fit out of the Integrated Children's Hub;
- Continued development of the Waddon Waylands scheme;
- Public Service Delivery Hub development

The original approved Housing Revenue Account Housing Investment Programme (HIP) capital budget was £27.840m, adjusted to £33.877m due to in-year approved changes to the budget. Expenditure of £28.426m was incurred during the year.

The total expenditure for capital schemes was £169.984m in 2010/11.

### **PENSION FUND**

The accounts for the Pension Fund are included in the overall Accounts. Table 2 below shows the change in the value of the Council's Pension Fund in 2010/11:

**Table 2 – Pension Fund Performance 2010/11**

<b>Detail of Composition of Net Assets</b>	<b>2009/10 £000</b>	<b>2010/11 £000</b>	<b>Net Increase / (Decrease) £000</b>	<b>Change %</b>
Total Investments	574,568	619,121	44,553	7.75%
Other balances held by Fund Managers	429	1,506	1,077	251.05%
Receivables	717	2,562	1,845	257.32%
Cash Held by:				
Fund Managers	7,587	4,592	(2,995)	(39.48%)
London Borough of Croydon	7,052	8,323	1,271	18.02%
Payables	(6,892)	(6,592)	300	(4.35%)
<b>Net Assets at Year End</b>	<b>583,461</b>	<b>629,512</b>	<b>46,051</b>	<b>7.89%</b>

Other balances held by Fund Managers comprises outstanding trades, outstanding dividends and tax reclaimable.

The rate of growth of the Pension Fund shown by these figures demonstrates that, despite a remarkably flat year in the global financial markets, the Asset Allocation Strategy introduced towards the end of 2009/10 is delivering the level of return required to meet the current and future needs of pensioners. The cash held by fund managers represents cash generated by sales on instruments waiting to be re-invested and cash balances held to exploit investment opportunities as they arise. The reduction from the 2009/10 level shows that managers have successfully populated their new portfolios. Cash held in-house is required as working capital, in other words to pay benefits and transfer funds as required.

### **COLLECTION FUND**

The Collection Fund is a stand alone account to which all sums relating to Council Tax, National Non-Domestic Rates and Crossrail Business Rates Supplement are paid. Monies collected in respect of NNDR and Crossrail are transferred to the national pool, with a nil effect to the Local Authority.

The Collection Fund had a surplus balance of £4.109m as at 31 March 2011, so the General Fund will benefit from £3.237m (Croydon's share). The January declared surplus of £3.445m (Croydon's share is £2.714m) will be redistributed in 2011/12. This surplus is included in the 2011/12 Budget.

### **COUNCIL TAX**

The surplus balance on the Collection Fund assumes an overall Council Tax collection rate of 97% of 2010/11 debts. Collection will take place over several years as various recovery methods are used to maximise cash income.

The Best Value Performance Indicator (BVPI) target relates to the amount of debt collected in the initial year of billing (2010/11 debt collected in 2010/11). The target set for 2010/11 was 96.5% and the actual BVPI performance was confirmed at 95.92%, a shortfall of 0.58%, however this performance level was 0.34% up on the performance for 2009/10.

The net collectable debit for Council Tax in 2010/11 was £158.9 million. Table 3 shows the impact of actual performance against the target in cash terms for in-year performance, any outstanding sums due will continue to be collected during 2010/11.

**Table 3 – The BVPI target and performance for Council Tax Collection**

	<b>Target – 2010/11</b>	<b>Actual – 2010/11</b>	<b>Variance</b>
Percentage	96.50%	95.92%	0.58%
Cash	£153.3m	£152.4m	£0.9m

These figures relate to amounts collectable for 2010/11 only; the amounts shown in the Collection Fund include variations to the debit for all past years up to and including 2010/11.



# **NATIONAL NON-DOMESTIC RATE (NNDR) COLLECTION**

The target set for 2010/11 was 99% and the actual BVPI performance was confirmed at 97.22%, a shortfall of 1.78%. The collectable debit for business rates in 2010/11 was £114.8 million. Table 4 shows the impact of actual performance against the target in cash terms.

**Table 4 – The BVPI target and performance for NNDR Collection**

	Target – 2010/11	Actual – 2010/11	Variance
Percentage	99.00%	97.22%	1.78%
Cash	£111.2m	£109.2m	£2.0m

Collection rates for this year are down against target however performance is up on last year. The economic climate continues to affect business rates collection. Croydon's performance is in line with other authorities in London.

## **CONCLUSION**

Our strong financial progress continues to ensure that for every pound collected through local taxation from you our residents, that the Council makes the best use of those resources in delivering the services in the borough and that any additional Council Tax raised is spent directly on the priorities you set for the council through our consultation and agreements.

I hope that you find the following accounts useful and informative in helping you to understand how the Council manages it's finances on your behalf and how we ensure your money is spent wisely.



Nathan Elvery  
Deputy Chief Executive and Executive Director of Corporate Resources  
and Customer Services  
Croydon Council



**EXPLANATION OF THE ACCOUNTING STATEMENTS****Comprehensive Income and Expenditure Statement**

This statement shows the true economic cost of providing services, calculated in accordance with the requirements of IFRS as applied by the Code of Practice on Local Authority Accounting in the United Kingdom 2010 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

**Movement in Reserves Statement**

The movement in reserves held by an authority is analysed between 'usable', (those that can be used to fund expenditure or reduce local taxation), and unusable.

The surplus or deficit on the provision of services represents the true economic cost of providing services, but is not the same as the statutory amounts that must be charged to the General Fund and the Housing Revenue account for the purpose of setting council tax and dwelling rents. These are shown by the Net Increase / Decrease before Transfers to Earmarked Reserves and are calculated after entering all the adjustments that are required to move from the economic (accounting) basis to the funding basis.

Subsequent to this discretionary movements to and from earmarked reserves are recorded.

**Balance Sheet**

The balance sheet displays, at the balance sheet date, the values of those assets and liabilities recognised by the council. The net assets of the council, assets less liabilities, are represented by reserves that are reported in two categories. Usable reserves, as stated above, that can be used to fund expenditure or reduce local taxation; and, unusable reserves that recognise unrealised gains and losses and timing differences.

**Cash Flow Statement**

The statement shows the movement during the reporting period in cash and cash equivalents. It shows how the council generates and uses cash and cash equivalents. Cash flows are classified into those arising from operating, investing and financing activities.

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

	Note No.	Gross £000	2010/11 Income £000	Net £000	2009/10 Net £000
<b>Gross expenditure, gross income and net expenditure of continuing operations</b>	Page 18				
Central Services to the Public		12,995	(4,670)	8,325	6,849
Cultural, Environmental, Regulatory and Planning Services		76,640	(14,805)	61,835	62,275
Education Services		360,082	(330,259)	29,824	41,957
Highways Transport Services		67,887	(30,424)	37,463	35,815
Local Authority Housing (HRA)		311,410	(86,465)	224,945	(5,142)
Other Housing Services		288,938	(270,123)	18,815	10,313
Social Care		212,785	(77,930)	134,855	130,004
Corporate and Democratic Core		18,572	(13,829)	4,743	3,908
Non-Distributed Costs		0	(52,623)	(52,623)	1,826
<b>Net cost of services</b>		1,349,309	(881,128)	468,181	287,805
<b>Other operating expenditure</b>					
Levies payable	8			2,304	2,336
Payments to Housing capital receipts to government pool				1,141	613
Gain/loss on disposal of non current (fixed assets)				11,006	19,930
Loss on revaluation of non current assets				(90,965)	63,125
<b>Financing and Investment Income and Expenditure</b>					
Interest payable on debt				13,412	9,830
Interest payable on PFI unitary payments				3,018	1,977
Premium on early repayment of debt				136	27
Impairment of financial instruments				181	3,280
Pensions interest cost and expected return on pension assets	50.1 & 50.2			26,355	29,641
Investment interest income				(5,953)	(6,751)
Interest received on finance leases (lessor)				(272)	(312)
Changes in fair value of investment properties and rental income				(458)	(12,438)
Net surplus/deficit - trading undertakings	7			278	218
<b>Taxation and Non-Specific Grant Income</b>					
Recognised capital grants and contributions				(34,746)	(29,426)
Council Tax	Page 88			(148,762)	(143,383)
NNDR	23			(103,505)	(94,915)
Formula Grant				(15,030)	(21,908)
Non Service related government grants	18			(30,288)	(25,709)
<b>(Surplus) or Deficit on Provision of Services</b>				96,033	83,940
<b>(Surplus) or deficit on revaluation of non current assets</b>					
Revaluation gains				(31,141)	(47,222)
Write out assets reclassified as finance leases				0	28,924
Elimination of Revaluation Reserve for Investment				5,421	(132)
Properties - CI&E offset				0	4,799
<b>Actuarial (gains)/losses on pension assets/liabilities - matching the entry to the pensions reserve</b>				(132,846)	111,140
<b>Other (gains)/losses required to be included in the statement</b>				0	0
<b>Other Comprehensive Income and Expenditure</b>				(158,566)	97,509
<b>Total Comprehensive Income and Expenditure</b>				(62,533)	181,449

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## ANALYSIS OF NET COST OF SERVICES

	Gross £000	2010/11 Income £000	Net £000	2009/10 Net £000
Corporate and democratic core	18,572	(13,829)	4,743	3,908
<b>Total Corporate and Democratic Core</b>	18,572	(13,829)	4,743	3,908
Local tax collection	7,541	(3,275)	4,265	3,302
Registration of births, deaths and marriages	863	(595)	268	237
Elections	1,175	(19)	1,155	503
Emergency planning	269	(9)	260	389
Local land charges	621	(771)	(150)	(328)
General grants, bequests and donations	2,283	(1)	2,282	2,460
Coroner's service	244	0	244	286
<b>Total Central Services to the Public</b>	12,995	(4,670)	8,325	6,849
Other operating expenditure	3,234	(3,192)	42	220
Culture and related services	26,911	(2,818)	24,093	24,215
Environmental services	46,495	(8,795)	37,700	37,840
<b>Total Cultural, Environmental and Planning Services</b>	76,640	(14,805)	61,835	62,275
Planning and development services	20,390	(10,575)	9,815	12,178
Highways and transport services	47,497	(19,849)	27,648	23,637
<b>Total Highways, Roads and Transport Services</b>	67,887	(30,424)	37,463	35,815
Pre-Primary Education	21,059	(17,068)	3,991	(5,125)
Primary Education	128,636	(129,203)	(567)	17,262
Secondary Education	103,645	(107,848)	(4,203)	1,877
LEA Centrally held schools fund	61,714	(51,662)	10,053	8,570
Special Education	26,142	(14,471)	11,671	9,780
Adult Education and Community Learning	12,384	(8,793)	3,591	6,583
Youth Education	6,503	(1,214)	5,289	3,010
<b>Total Education Services</b>	360,082	(330,259)	29,824	41,957
General Fund housing	288,938	(270,123)	18,815	10,313
Housing Revenue Account	311,410	(86,465)	224,945	(5,142)
<b>Total Housing Services</b>	600,348	(356,589)	243,760	5,171
Social care	212,785	(77,930)	134,855	130,004
<b>Total Social Care</b>	212,785	(77,930)	134,855	130,004
Non-distributed costs	0	(52,623)	(52,623)	1,826
<b>Total Non-Distributed Costs</b>	0	(52,623)	(52,623)	1,826
<b>NET COST OF SERVICES</b>	1,349,309	(881,128)	468,181	287,805

# MOVEMENT IN RESERVES STATEMENT 2010/11

	General Fund Balance £000	HRA Balance £000	Earmarked GF Reserves Balance £000	Capital Receipts Balance £000	Capital Grant Unapplied Balance £000	Major Repairs Reserve £000	Total Usable reserves revised Balance £000
<b>Balances b/f at 31 March 2010</b>	11,597	4,481	52,914	9,128	651	0	78,771
<b>Movement in reserves during 2010/11</b>							
<b>Surplus or (deficit) on provision of services</b>	21,924	(117,957)					(96,033)
<b>Other Comprehensive Expenditure and Income</b>							
Revaluation Gains							0
Elimination of Revaluation Reserve for Investment							0
Properties - CI&E offset							0
Revaluation losses (chargeable to revaluation reserve)							0
Movement in pensions reserve							0
Total Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0
<b>Total Comprehensive Expenditure &amp; Income</b>	21,924	(117,957)	0	0	0	0	(96,033)
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>							
<b>Amounts included in CI&amp;E to be removed for determining movement in General Fund</b>							
Depreciation (excl HRA)	37,631						37,631
Amortisation of Intangibles	1,585	3					1,588
Excess of depreciation charged to HRA services over the MRA element of housing subsidy		476				(476)	0
Impairment/revaluation losses charged to CI&E	21,190	243,553					264,743
Impairment/revaluation gains reversing losses previously charged to the CI&E	(162)	(112,045)					(112,207)
Movement in market value of investment property	2,551						2,551
Elimination of revaluation reserve for investment properties							0
Capital grant and contributions	(47,836)	(8,353)			6,372		(49,817)
Revenue expenditure funded from capital under statute	17,032	287					17,319
Profit/loss on sale of non current assets	12,773	(1,767)		2,687			13,693
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,622)	(504)					(6,126)
Lessor Leases - Regulation 4 Mitigation	2,345			(8,900)			(6,555)
Gain/loss on revaluation of available for sale financial instruments	(41)						(41)
Amount by which council tax income and residual community charge adjustment included in the CI&E statement is different from the amount taken to the General Fund in accordance with regulation	(3,237)						(3,237)
Compensated absences	(18)	(26)					(44)
<b>Amounts excluded from CI&amp;E to be included for determining movement in General Fund</b>							
Statutory provision for the repayment of debt	(8,771)						(8,771)
Amortisation of premiums and discounts	(86)	(488)					(574)
HRA capital receipts to housing central pool		1,141		(1,141)			0
Employer's pensions contributions	(29,711)	(2,664)					(32,375)
Capital expenditure charged to general fund	(17,122)						(17,122)
<b>Other adjustments</b>							
Major Repairs Allowance credited to the HRA		11,856					11,856
Reversal of Major Repairs Allowance credited to the HRA		(11,856)				11,856	0
Use of capital receipts reserve to finance capital expenditure				(1,689)			(1,689)
Use of major repairs reserve to finance capital expenditure						(11,380)	(11,380)
Deferred Capital Receipts - cash received				47			47
Adjustment between CAA and revaluation reserve for depreciation that is related to the revaluation balance rather than the historic cost							0
<b>Total adjustments between accounting basis &amp; funding basis under regulations</b>	(17,499)	119,613	0	(8,996)	6,372	0	99,490
<b>Net increase/Decrease before Transfers to Earmarked Reserves</b>	4,425	1,656	0	(8,996)	6,372	0	3,457
<b>Transfers to/(from) Earmarked Reserves</b>							
LMS reserves	(3,849)		3,849				0
Other movements in reserves	(576)		576				0
<b>Total transfers to/(from) Earmarked Reserves</b>	(4,425)	0	4,425	0	0	0	0
<b>Net increase/(decrease) in reserves for the year</b>	0	1,656	4,425	(8,996)	6,372	0	3,457
<b>Balance c/f at 31 March 2011</b>	11,597	6,137	57,339	132	7,023	0	82,228

**MOVEMENT IN RESERVES STATEMENT 2010/11**

Revaluation Reserve Balance £000	CAA Balance £000	Financial instruments Adjustment Account Balance £000	Pensions Reserve Balance £000	Deferred Capital Receipts Balance £000	Collection Fund Adjustment account £000	STACA balance £000	Total Unusable reserves balance £000	Total Authority Reserves Balance £000
219,441	1,199,117	(4,120)	(516,788)	291	0	(5,447)	892,494	971,265
							0	(96,033)
31,141							31,141	31,141
(5,421)							(5,421)	(5,421)
							0	0
							0	0
			132,846				132,846	132,846
25,720	0	0	132,846	0	0	0	158,566	158,566
25,720	0	0	132,846	0	0	0	158,566	62,533
	(37,631)						(37,631)	0
	(1,588)						(1,588)	0
							0	0
	(264,743)						(264,743)	0
	112,207						112,207	0
	(2,551)						(2,551)	0
							0	0
	49,817						49,817	0
	(17,319)						(17,319)	0
(4,036)	(9,657)						(13,693)	0
			6,126				6,126	0
	6,555						6,555	0
		41					41	0
					3,237		3,237	0
						44	44	0
	8,771						8,771	0
		574					574	0
							0	0
			32,375				32,375	0
	17,122						17,122	0
	(11,856)						(11,856)	0
							0	0
	1,689						1,689	0
	11,380						11,380	0
				(47)			(47)	0
(954)	954						0	0
(4,990)	(136,850)	615	38,501	(47)	3,237	44	(99,490)	0
20,730	(136,850)	615	171,347	(47)	3,237	44	59,076	62,533
							0	0
							0	0
0	0	0	0	0	0	0	0	0
20,730	(136,850)	615	171,347	(47)	3,237	44	59,076	62,533
240,171	1,062,267	(3,505)	(345,441)	244	3,237	(5,403)	951,570	1,033,798

MOVEMENT IN RESERVES STATEMENT 2009/10							
	General Fund Revised Balance £000	HRA Revised Balance £000	Earmarked GF Reserves Revised Balance £000	Capital Receipts Revised Balance £000	Capital Grant Unapplied Revised Balance £000	Major Repairs Reserve £000	Total Usable reserves revised Balance £000
Balances b/f at 1st April 2009	9,300	3,736	41,103	2,732			56,871
IFRS Adjustments				8,900	459		9,359
Adjusted Balance at 1st April 2009	9,300	3,736	41,103	11,632	459	0	66,230
Movement in reserves during 2009/10							
Surplus or (deficit) on provision of services	(77,238)	(6,702)					(83,940)
Other Comprehensive Expenditure and Income							
Revaluation Gains							0
Write out assets reclassified as finance leases							0
Elimination of Revaluation Reserve for Investment							0
Properties - CI&E offset							0
Revaluation losses (chargeable to revaluation reserve)							0
Movement in pensions reserve							0
Total Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0
Total Comprehensive Expenditure and Income	(77,238)	(6,702)	0	0	0	0	(83,940)
Adjustments between accounting basis & funding basis under regulations							
Amounts included in CI&E to be removed for determining movement in General Fund							
Depreciation/amortisation (excl HRA)	32,615						32,615
Amortisation of Intangibles	1,367	3					1,370
Excess of depreciation charged to HRA services over the MRA element of housing subsidy		55				(50)	5
Revaluation losses charged to CI&E	56,118	7,007					63,125
Movement in market value of investment property	(9,481)						(9,481)
Capital grant and contributions	(28,260)	(1,298)			192		(29,366)
Revenue expenditure funded from capital under statute	9,382	204					9,586
Profit/loss on sale of non current assets	20,961	(1,031)		1,526			21,456
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	43,702	4,058					47,760
Other Finance Costs	270						270
Premiums Paid on early redemption of debt	2,026	983					3,009
Compensated absences	(363)	19					(344)
Amounts excluded from CI&E to be included for determining movement in General Fund							
Statutory provision for the repayment of debt	(5,975)						(5,975)
Amortisation of premiums and discounts	(86)	(607)					(693)
Lessor Leases - Regulation 4 Mitigation	2,307						2,307
HRA capital receipts to housing central pool		613		(613)			0
Employer's pensions contributions	(27,559)	(2,559)					(30,118)
Capital expenditure charged to general fund	(5,678)						(5,678)
Other adjustments							
Major Repairs Allowance credited to the HRA		10,987					10,987
Reversal of Major Repairs Allowance credited to the HRA		(10,987)				10,987	0
Use of capital receipts reserve to finance capital expenditure				(3,417)			(3,417)
Use of major repairs reserve to finance capital expenditure						(10,937)	(10,937)
Adjustment between CAA and revaluation reserve for depreciation that is related to the revaluation balance rather than the historic cost							0
Total adjustments between accounting basis & funding basis under regulations	91,346	7,447	0	(2,504)	192	0	96,481
Net increase/Decrease before Transfers to Earmarked Reserves	14,108	745	0	(2,504)	192	0	12,541
Transfers to/(from) Earmarked Reserves							
LMS reserves	546		(546)				0
Other movements in reserves	(12,357)		12,357				0
Total transfers to/(from) Earmarked Reserves	(11,811)	0	11,811	0	0	0	0
Net increase/(decrease) in reserves for the year	2,297	745	11,811	(2,504)	192	0	12,541
Balance c/f at 31 March 2010	11,597	4,481	52,914	9,128	651	0	78,771

MOVEMENT IN RESERVES STATEMENT 2009/10							
Revaluation Reserve Revised Balance £000	CAA Revised Balance £000	Financial instruments Adjustment Account Revised Balance £000	Pensions Reserve Revised Balance £000	Deferred Capital Receipts Revised Balance £000	STACA Revised Balance £000	Total Unusable Reserves Revised Balance £000	Total Authority Reserves Revised Balance £000
202,873	1,280,506	(1,534)	(388,006)	360	0	1,094,199	1,151,070
2,067	(3,924)	0	0	0	(5,791)	(7,648)	1,711
204,940	1,276,582	(1,534)	(388,006)	360	(5,791)	1,086,551	1,152,781
						0	(83,940)
47,222						47,222	47,222
(27,710)	(1,214)					(28,924)	(28,924)
132						132	132
(4,799)						(4,799)	(4,799)
			(111,140)			(111,140)	(111,140)
						0	0
14,845	(1,214)	0	(111,140)	0	0	(97,509)	(97,509)
14,845	(1,214)	0	(111,140)	0	0	(97,509)	(181,449)
	(32,615)					(32,615)	0
	(1,370)					(1,370)	0
	(5)					(5)	0
	(63,125)					(63,125)	0
	9,481					9,481	0
	29,366					29,366	0
	(9,586)					(9,586)	0
	(21,456)					(21,456)	0
			(47,760)			(47,760)	0
		(270)				(270)	0
		(3,009)				(3,009)	0
					344	344	0
	5,975					5,975	0
		693				693	0
	(2,307)					(2,307)	0
						0	0
			30,118			30,118	0
	5,678					5,678	0
	(10,987)					(10,987)	0
						0	0
	3,417					3,417	0
	10,937					10,937	0
	(344)					0	0
(344)	(76,253)	(2,586)	(17,642)	0	344	(96,481)	0
14,501	(77,467)	(2,586)	(128,782)	0	344	(193,990)	(181,449)
	2			(69)		(67)	(67)
0	2	0	0	(69)	0	(67)	(67)
14,501	(77,465)	(2,586)	(128,782)	(69)	344	(194,057)	(181,516)
219,441	1,199,117	(4,120)	(516,788)	291	(5,447)	892,494	971,265

# BALANCE SHEET

The Balance Sheet shows the Council's position at the end of the year for all activities and services except the Pension Fund and trust funds, which are held on behalf of third parties. All internal transactions between funds have been eliminated.

	Note No.	2010/11 £000	2010/11 £000	2009/10 £000	2008/09 £000
Property, Plant and Equipment	30				
Council dwellings		532,026		663,171	659,252
Other land and buildings		932,340		901,178	933,531
Vehicles, plant, furniture and equipment		13,555		14,910	13,484
Infrastructure		85,671		84,764	84,643
Community assets		3,432		3,042	3,113
Assets under construction		43,410		9,778	10,453
			1,610,434		
Investment property	31		15,404	17,954	18,026
Intangible Assets	32				
Software			2,894	3,574	3,462
Assets under construction			2,286	0	0
Non Current Investments					
Non-property investments	38		11,907	9,946	23,324
Non-current receivables	36		51,199	35,271	13,466
<b>Non-Current Assets</b>			<b>1,694,124</b>	<b>1,743,588</b>	<b>1,762,754</b>
Current Investments					
Non-property investments excl cash equivalents			128,848	99,255	75,213
Inventories	35		425	219	291
Current Receivables					
Receivables and payments in advance	36	145,422		164,894	110,529
Less allowance for receivables	36	(54,881)		(52,733)	(38,089)
			90,541		
Cash and cash equivalents			14,338	28,985	97,296
<b>Current Assets</b>			<b>234,152</b>	<b>240,620</b>	<b>245,240</b>
Cash and cash equivalents			(23,137)	(39,278)	(44,973)
Current borrowing	38		(75,652)	(116,080)	(23)
Current Payables and receipts in advance	37		(93,680)	(93,059)	(100,555)
<b>Current Liabilities</b>			<b>(192,469)</b>	<b>(248,417)</b>	<b>(145,551)</b>
Provisions	39		(25,707)	(23,568)	(21,037)
Non-current borrowing	38		(298,482)	(198,303)	(292,663)
Deferred capital creditors			(7,511)	(7,065)	(5,842)
Other non-current Liabilities					
Pensions liability	50	(345,441)		(516,788)	(388,006)
Capital grants receipts in advance	18	(24,868)		(18,802)	(2,114)
			(370,309)		
<b>Non-Current Liabilities</b>			<b>(702,009)</b>	<b>(764,526)</b>	<b>(709,662)</b>
<b>Net Assets</b>			<b>1,033,798</b>	<b>971,265</b>	<b>1,152,781</b>
<b>Usable reserves</b>					
General Fund		11,597		11,597	9,300
Housing Revenue Account	Page 81	6,137		4,481	3,736
Earmarked reserves	40	57,339		52,914	41,103
Capital receipts reserve	41	132		9,128	11,632
Capital grants unapplied		7,023		651	459
			82,228	78,771	66,230
<b>Unusable reserves</b>					
Revaluation reserve	42.1	240,171		219,441	204,940
Capital adjustment account	42.2	1,062,267		1,199,117	1,276,582
Financial Instruments adjustment account	42.3	(3,505)		(4,120)	(1,534)
Pensions reserve	42.4	(345,441)		(516,788)	(388,006)
Deferred capital receipts	42.5	244		291	360
Collection fund adjustment account	42.6	3,237		0	0
Short-term accumulating compensated absences account	42.7	(5,403)		(5,447)	(5,791)
			951,570	892,494	1,086,551
<b>Total Reserves</b>			<b>1,033,798</b>	<b>971,265</b>	<b>1,152,781</b>



# CASH FLOW STATEMENT

	Note No.	2010/11 £000	2009/10 £000
<b>OPERATING ACTIVITIES</b>			
Net (surplus) or deficit on the provision of services		96,032	83,940
Adjustment for movement in Non Cash Items	51	(178,662)	(77,702)
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	52	2,975	1,329
Interest Paid		11,925	13,245
Interest Received		(3,654)	(5,110)
Dividend Received		(375)	0
<b>Net cash (inflow)/outflow from operating activities</b>		<b>(71,759)</b>	<b>15,702</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment, investment property and intangible assets		127,604	97,372
Purchase of short-term and long-term investments		37,640	24,041
Other payments for investing activities		16,185	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(2,975)	(1,329)
Capital grants		(44,403)	(17,074)
Proceeds from short-term and long-term investments		(6,986)	(13,033)
Other receipts from investing activities		(17,110)	(132)
<b>Net cash (inflow)/outflow from investing activities</b>		<b>109,955</b>	<b>89,845</b>
<b>FINANCING ACTIVITIES</b>			
Cash receipts from short and long-term borrowing		(110,000)	(82,600)
Other receipts from financing activities		0	0
Cash payments for the reduction of the outstanding liabilities relating		7,709	0
Repayments of short and long-term borrowing		62,600	61,000
Other payments for financing activities		0	(21,331)
<b>Net cash (inflow)/outflow from financing activities</b>		<b>(39,691)</b>	<b>(42,931)</b>
<b>Net (Increase)/decrease in cash and cash equivalents</b>		<b>(1,495)</b>	<b>62,616</b>
Cash and cash equivalents at the beginning of the reporting period		10,293	52,323
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>8,799</b>	<b>10,293</b>
Cash held		(112)	(129)
Bank current accounts		11,912	30,089
Short-term deposits with building societies & Money Market Funds		(3,001)	(19,667)
		<b>8,799</b>	<b>10,293</b>

**1. EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR PERIOD ADJUSTMENTS**

There were no exceptional or extraordinary items for 2010/11.

**Prior period adjustments**

There were no prior period adjustments in 2010/11.

**IFRS restatement**

The 2008/09 balance sheet and the main statements for 2009/10 were restated for IFRS. Note 53 shows the movement in the statements from UK GAAP to IFRS.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 2. RESTATED SEGMENTAL REPORTING FOR THE YEAR ENDING 31 MARCH 2011

	Children, Young People and Learners £000	Department of Adult Services and Housing £000	Planning, Regeneration & Conservation £000	Community Services £000	Resources & Customer Services £000	HRA £000	Total £000
Fees, charges & other service income	(16,202)	(19,478)	(3,222)	(20,710)	(8,421)	(73,729)	(141,762)
Government grants	(345,685)	(28,171)	(4,886)	(2,123)	(263,863)	(61)	(644,789)
<b>Total Income</b>	<b>(361,887)</b>	<b>(47,649)</b>	<b>(8,108)</b>	<b>(22,833)</b>	<b>(272,284)</b>	<b>(73,790)</b>	<b>(786,551)</b>
Employee expenses	236,657	39,296	10,381	27,396	42,061	14,543	370,334
Other operating expenses	197,536	109,964	11,057	52,910	308,688	58,875	739,030
Support recharges	17,460	6,023	1,511	6,336	(48,878)	372	(17,176)
<b>Total operating expenses</b>	<b>451,653</b>	<b>155,283</b>	<b>22,949</b>	<b>86,642</b>	<b>301,871</b>	<b>73,790</b>	<b>1,092,188</b>
<b>Net Cost of Services</b>	<b>89,766</b>	<b>107,634</b>	<b>14,841</b>	<b>63,809</b>	<b>29,587</b>	<b>0</b>	<b>305,637</b>

#### Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

Cost of Services in Service Analysis:

Add services not included in main analysis							(1,369)
Add amounts not reported to management (IAS 19)							(64,856)
Add amounts not reported to management						(230,281)	(230,281)
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	18,384	2,800	249	(11,106)	(8,814)		1,513

#### Net Cost of Services in Comprehensive Income and Expenditure Statement

	71,382	104,834	14,592	74,915	38,401	230,281	468,180
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#### Reconciliation to Subjective Analysis (Single Entity)

	Service Analysis £000	Services not in Analysis £000	Not reported to mgmt £000	Not included in CI&E's £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(141,762)	(41)			(141,803)		(141,803)
Surplus or deficit on associates and joint ventures					0		0
Interest and investment income					0	(5,953)	(5,953)
Interest Received on Finance Leases (Lessor)					0	(272)	(272)
Income from council tax					0	(148,761)	(148,761)
Government grants and contributions	(644,789)	(1,369)			(646,158)	(183,570)	(829,728)
IAS19			(64,856)		(64,856)		(64,856)
<b>Total Income</b>	<b>(786,551)</b>	<b>(1,410)</b>	<b>(64,856)</b>	<b>0</b>	<b>(852,817)</b>	<b>(338,556)</b>	<b>(1,191,373)</b>
Employee expenses	370,334	(204)			370,130		370,130
Other service expenses	664,765	26			664,791		664,791
Support Service recharges	(17,176)				(17,176)		(17,176)
Depreciation, amortisation and impairment	53,340	497			53,837	(90,964)	(37,127)
Premium and Discount on early repayment of debt					0	99	99
Changes in fair value of investment properties					0	(458)	(458)
Impairment of financial instruments					0	181	181
Interest Payments					0	13,448	13,448
PFI interest Liability					0	3,019	3,019
Precepts & Levies					0	2,304	2,304
Payments to Housing Capital Receipts Pool					0	1,141	1,141
Gain or Loss on Disposal of Fixed Assets					0	11,006	11,006
Other adjustments	20,925	(277)	230,281	(1,513)	249,416	277	249,693
IAS 19					0	26,355	26,355
<b>Total operating expenses</b>	<b>1,092,188</b>	<b>42</b>	<b>230,281</b>	<b>(1,513)</b>	<b>1,320,998</b>	<b>(33,592)</b>	<b>1,287,406</b>
<b>Surplus or deficit on the provision of services</b>	<b>305,637</b>	<b>(1,368)</b>	<b>165,425</b>	<b>(1,513)</b>	<b>468,181</b>	<b>(372,148)</b>	<b>96,034</b>

The aim of segment reporting is to disclose information to enable users of the Council's financial statements to evaluate the nature and financial effects of the activities in which it engages and the economic environments in which it operates. The Council presents its information on reportable segments within the notes. Reportable segments are based on an authority's internal management reporting. The Council's internal arrangements include items that do not form part of the Comprehensive Income and Expenditure Statement (for example, that statutory provisions for the repayment of debt) and excludes items that do not form part of the Comprehensive Income and Expenditure Statement (for example, depreciation). The Council has produced a reconciliation between the segment reporting analysis and the net cost of services in the Comprehensive Income and Expenditure Statement.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 2. RESTATED SEGMENTAL REPORTING FOR THE YEAR ENDING 31 MARCH 2010

	Children, Young People and Learners £000	Department of Adult Services and Housing £000	Planning, Regeneration & Conservation £000	Community Services £000	Resources & Customer Services £000	HRA £000	Total £000
Fees, charges & other service income	(20,004)	(16,327)	(3,961)	(21,545)	(9,031)	(72,404)	(143,273)
Government grants	(372,412)	(35,514)	(17,832)	(2,070)	(247,939)	(11,141)	(686,908)
<b>Total Income</b>	<b>(392,416)</b>	<b>(51,841)</b>	<b>(21,793)</b>	<b>(23,615)</b>	<b>(256,970)</b>	<b>(83,545)</b>	<b>(830,180)</b>
Employee expenses	239,749	41,132	10,929	28,093	37,827	12,398	370,128
Other operating expenses	214,074	103,824	30,132	57,749	298,041	71,146	774,966
Support recharges	26,587	9,747	758	7,022	(47,666)		(3,552)
<b>Total operating expenses</b>	<b>480,410</b>	<b>154,703</b>	<b>41,819</b>	<b>92,863</b>	<b>288,202</b>	<b>83,545</b>	<b>1,141,541</b>
<b>Net Expenditure</b>	<b>87,994</b>	<b>102,862</b>	<b>20,025</b>	<b>69,248</b>	<b>31,232</b>	<b>0</b>	<b>311,361</b>
<b>IFRS Adjustments</b>							
IAS16 Property Plant and Equipment	44	13	(50)	268		5	280
IAS17 Lessor Leases	59		2,428	130			2,617
IAS17 Lessee Leases				(3)			(3)
IAS19 STACA	(469)	55	21	20	11	19	(343)
IAS20 Grants Capital	4,400	2,054	7,972	2,464	169	214	17,275
IAS20 Grants Revenue	(3,248)	(542)		(211)			(4,002)
<b>Total IFRS adjustments</b>	<b>787</b>	<b>1,579</b>	<b>10,371</b>	<b>2,668</b>	<b>180</b>	<b>238</b>	<b>15,823</b>
<b>Net Cost of Services after IFRS adjustments</b>	<b>88,781</b>	<b>104,441</b>	<b>30,396</b>	<b>71,916</b>	<b>31,412</b>	<b>238</b>	<b>327,184</b>

#### Reconciliation to Net Cost of

#### Services in Comprehensive Income and Expenditure Statement

Cost of Services in Service Analysis:

Add services not included in main analysis

(3,769)

Add amounts not reported to management (IAS19)

(1,620)

(4,722)

(1,712)

(1,622)

(1,303)

(1,019)

(11,998)

Remove amounts reported to management not included  
in Comprehensive Income and Expenditure Statement

(7,756)

(2,165)

(2,008)

(3,469)

(3,856)

(4,360)

(23,613)

**Net Cost of Services in Comprehensive  
Income and Expenditure Statement**

79,405

97,554

26,676

66,825

26,253

(5,141)

287,804

#### Reconciliation to Subjective

#### Analysis (Single Entity)

	Service Analysis £000	Services not in Analysis £000	Not reported to mgmt £000	Not included in CI&E's £000	Net Cost of Services £000	Corporate Amounts £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(143,273)	142			(143,131)			(143,131)
Surplus or deficit on associates and joint ventures								0
Interest and investment income						(6,751)		(6,751)
Interest Received on Finance Leases (Lessor)							(312)	(312)
Income from council tax						(143,383)		(143,383)
Government grants and contributions	(686,908)				(686,908)	(142,532)	(29,426)	(858,866)
IAS19			(11,998)		(11,998)			(11,998)
IFRS adjustments	(4,345)		0		(4,345)		(12,438)	(16,782)
<b>Total Income</b>	<b>(834,525)</b>	<b>142</b>	<b>(11,998)</b>	<b>0</b>	<b>(846,381)</b>	<b>(292,666)</b>	<b>(42,176)</b>	<b>(1,181,224)</b>
Employee expenses	370,128	166			370,294			370,294
Other service expenses	697,485	(3,859)			693,626			693,626
Support Service recharges	(3,552)				(3,552)			(3,552)
Depreciation, amortisation and impairment	53,868				53,868	93,365	(30,240)	116,993
Interest Payments						15,114		15,114
PFI interest Liability								0
Precepts & Levies						2,336		2,336
Payments to Housing Capital Receipts Pool						613		613
Gain or Loss on Disposal of Fixed Assets						19,930		19,930
Other adjustments	23,613	(218)	(23,613)		(218)	218		0
IAS 19						29,641		29,641
IFRS Adjustments	20,168				20,168			20,168
<b>Total operating expenses</b>	<b>1,161,709</b>	<b>(3,911)</b>	<b>(23,613)</b>		<b>1,134,185</b>	<b>161,216</b>	<b>(30,240)</b>	<b>1,265,162</b>
<b>Surplus or deficit on the provision of services</b>	<b>324,228</b>	<b>(3,769)</b>	<b>(35,611)</b>	<b>0</b>	<b>287,804</b>	<b>(131,450)</b>	<b>(69,459)</b>	<b>83,939</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 3. OTHER OPERATING EXPENDITURE

	2010/11 £000	2009/10 £000
Levies	2,304	2,336
Payments to the Government Housing Capital Receipts Pool	1,141	613
Gains/losses on the disposal of non-current assets	11,006	19,930
Loss on revaluation of non-current assets	20,952	63,125
	35,403	86,004

### 4. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

This note details the component elements of the Finance and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement

	2010/11 £000	2009/10 £000
Interest payable and similar charges	16,470	11,834
Interest receivable and similar income	(5,994)	(6,751)
Premium on early repayment of debt	137	0
Discount on early repayment of debt	0	0
Changes in fair value of investment properties	2,551	(9,481)
Rent received from investment properties	(3,009)	(2,957)
Impairment of financial instruments	181	3,280
Pension Interest Cost	59,664	54,910
Expected Return on Pension Assets	(33,309)	(25,269)
Amortised Premiums and Discounts	0	0
Interest received on finance lease lessor	(272)	(312)
(Surplus) / deficit on trading undertakings	278	218
Total	36,697	25,472

### 5. TAXATION AND NON SPECIFIC GRANT INCOME

	2010/11 £000	2009/10 £000
Council tax income	(145,525)	(143,383)
Non domestic rates	(103,505)	(94,915)
Formula Grant (previously RSG)	(15,030)	(21,908)
Non service related Grants	(33,525)	(25,709)
Capital grants and contributions	(34,746)	(29,426)
	(332,331)	(315,341)

### 6. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

The Authority has three current Private Finance Initiative (PFI) contracts. A review of the accounting treatment of these 3 PFI contracts under International Financial Reporting Interpretations Committee (IFRIC) 12 - Service Concessions was carried out in 2009/10. This resulted in assets for the Customer Focus, Ashburton Learning Village and three of the four Adults Homes for the Future PFI schemes coming on balance sheet. One Adults Homes for the Future building was assessed as remaining off balance sheet.

#### Customer Focus

In 2003, the Authority appointed CapGemini under the Customer Focus Contract as its ICT partner. Early in 2008, the option of a 3 year extension was exercised with the estimated cost in the region of £48m. However, the actual level of payments will depend on the degree of new infrastructure and transformation that takes place. The contract expires in May 2013.

#### Ashburton Learning Village

The Ashburton Learning Village is the first Croydon School PFI. It incorporates an eight form entry (1,200 capacity) secondary school together with a new purpose built library. The village also houses office and teaching space for the Music Service and for Adult Learning (CETS). The Ashburton Learning Village is an important part of the Authority's Community Strategy by 'making Croydon a learning place' by recognising the importance of ensuring good education and lifelong learning opportunities for everyone living and working in Croydon. The community strategy states the Council's commitment to rebuild Ashburton High School to create a high quality learning environment offering community use including a public library, a headquarters for the Housebound Library service and Adult Education services. The rebuilt school includes enhanced facilities, improved ICT and access to the National Grid for Learning. The Authority has entered into a 30 year contract with Norwest Holst on a design, build and operate basis, and includes enhanced facilities, improved ICT and access to the National Grid for Learning. This is supported through the Government's PFI. The PFI grant includes £17.1m from the Department for Education (formerly Children, Schools and Families) and £4.7m from the Department for Culture, Media and Sport; depending on usage, the Council may pay £71.0m over the remaining 26 years of the contract.

#### Adults Homes For The Future (formerly New4Old)

In 2010/11 the Authority has made payment of £4.3m for new care facilities, two of which opened during 2010. The payments for these facilities for older people, which are fully maintained with all soft facilities management included, were made to Caring 4 Croydon. Local Authority staff provide the care services to the users and residents of the facilities. During the year a further £6.1m was paid to Caring 4 Croydon as a bullet payment to reduce the annual unitary charge payable each year. The annual payment for a full year will rise to £4.571m in 2011/12 when all four homes are open for a full year. These payments are index-linked so will increase year on year until contract expiration in 2038/39.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 6. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS (continued)

<b>Value of Assets Held</b>	<b>Ashburton Learning Village £000</b>	<b>Adult Homes For The Future £000</b>	<b>Customer Focus £000</b>	<b>2010/11 Total £000</b>	<b>2009/10 Total £000</b>
Net Book value as at 31 March 2010	18,914	7,317	6,503	32,734	37,768
Gross Book value as at 31 March 2010	19,895	7,660	10,636	38,191	39,401
Additions	133	18,677	3,505	22,315	5,338
Revaluation	0	(4,035)	0	(4,035)	(6,548)
Gross Book value as at 31 March 2011	20,028	22,302	14,141	56,471	38,191
Depreciation as at 1 April 2010	(981)	(343)	(4,133)	(5,457)	(2,088)
Depreciation for year	(390)	(622)	(3,535)	(4,547)	(3,369)
<b>Net Book value as at 31 March 2011</b>	<b>18,657</b>	<b>21,337</b>	<b>6,473</b>	<b>46,467</b>	<b>32,734</b>
<b>Value of Liabilities</b>	<b>Ashburton Learning Village £000</b>	<b>Adult Homes For The Future £000</b>	<b>Customer Focus £000</b>	<b>2010/11 Total £000</b>	<b>2009/10 Total £000</b>
Payables as at 31 March 2010	(17,633)	(12,203)	(3,738)	(33,574)	(33,135)
"Drawdown" at start of operational period	0	(17,366)	(1,165)	(18,531)	(1,728)
Capital Repayment	334	(175)	1,450	1,609	1,289
Lump Sum Contribution	0	6,100	0	6,100	0
<b>Creditors as at 31 March 2011</b>	<b>(17,299)</b>	<b>(23,644)</b>	<b>(3,453)</b>	<b>(44,396)</b>	<b>(33,574)</b>
<b>Repayment of Liabilities</b>	<b>Ashburton Learning Village £000</b>	<b>Adult Homes For The Future £000</b>	<b>Customer Focus £000</b>	<b>2010/11 Total £000</b>	<b>2009/10 Total £000</b>
Within one year	352	361	1,537	2,250	1,609
Within two to five years	1,605	1,674	1,916	5,195	6,556
Within six to ten years	2,538	2,725		5,263	4,981
Within 11 to 15 years	3,293	3,651		6,944	6,570
Within 16 to 20 years	4,273	4,891		9,164	8,669
Within 21 to 25 years	5,238	6,552		11,790	11,443
Within 26 to 30 years	0	3,790		3,790	6,179
<b>Total</b>	<b>17,299</b>	<b>23,644</b>	<b>3,453</b>	<b>44,396</b>	<b>46,007</b>
<b>Interest Payments</b>	<b>Ashburton Learning Village £000</b>	<b>Adult Homes For The Future £000</b>	<b>Customer Focus £000</b>	<b>2010/11 Total £000</b>	<b>2009/10 Total £000</b>
Within one year	925	1,424	207	2,556	3,018
Within two to five years	3,501	5,465	118	9,084	9,468
Within six to ten years	3,844	6,198		10,042	10,326
Within 11 to 15 years	3,089	5,273		8,362	8,736
Within 16 to 20 years	2,109	4,033		6,142	6,636
Within 21 to 25 years	826	2,371		3,197	3,863
Within 26 to 30 years	0	374		374	728
<b>Total</b>	<b>14,294</b>	<b>25,138</b>	<b>325</b>	<b>39,757</b>	<b>42,775</b>
<b>Service Charge Payments</b>	<b>Ashburton Learning Village £000</b>	<b>Adult Homes For The Future £000</b>	<b>Customer Focus £000</b>	<b>2010/11 Total £000</b>	<b>2009/10 Total £000</b>
Within one year	689	1,436	12,042	14,167	14,027
Within two to five years	3,037	6,215	14,125	23,377	35,113
Within six to ten years	4,485	8,923		13,408	12,982
Within 11 to 15 years	5,345	10,362		15,707	15,224
Within 16 to 20 years	6,318	11,989		18,307	17,762
Within 21 to 25 years	7,025	13,831		20,856	20,632
Within 26 to 30 years	0	7,162		7,162	11,270
<b>Total</b>	<b>26,899</b>	<b>59,918</b>	<b>26,167</b>	<b>112,984</b>	<b>127,010</b>
<b>Lifecycle Payments</b>	<b>Ashburton Learning Village £000</b>	<b>Adult Homes For The Future £000</b>	<b>Customer Focus £000</b>	<b>2010/11 Total £000</b>	<b>2009/10 Total £000</b>
Within one year	411	405		816	803
Within two to five years	1,644	1,621		3,265	3,264
Within six to ten years	2,054	2,026		4,080	4,080
Within 11 to 15 years	2,054	2,026		4,080	4,080
Within 16 to 20 years	2,054	2,026		4,080	4,080
Within 21 to 25 years	1,951	2,026		3,977	4,080
Within 26 to 30 years	0	945		945	1,659
<b>Total</b>	<b>10,168</b>	<b>11,075</b>	<b>0</b>	<b>21,243</b>	<b>22,046</b>

## 7. TRADING UNDERTAKINGS

The Authority has established the following five trading units where the service manager is required to operate in a commercial environment and balance their budgets by generating income from other parts of the authority or other organisations:

	2010/11			2009/10	
	(Surplus)/ Deficit £000	Expense £000	Turnover £000	(Surplus)/ Deficit £000	Turnover £000
Commercial Estates	(20)	86	106	(2)	106
Street Markets	232	466	234	223	230
Highways and Sewers	(68)	111	179	(10)	160
Transport Maintenance	166	69	(97)	139	0
Street Lighting	(32)	(32)	0	(132)	332
	278	700	422	218	828

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Authority's services to the public (eg refuse collection), whilst others are support services to the Authority's services to the public (eg schools catering). The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations. Only a residual amount of the net surplus on trading operations is charged as Financing and Investment Income and Expenditure:

	2010/11 £000	2009/10 £000
Net surplus on trading operations	232	224
Services to the public included in Expenditure of Continuing Operations	46	(6)
<b>Net surplus credited to Other Operating Expenditure</b>	<b>278</b>	<b>218</b>

## 8. LEVIES PAID TO OTHER BODIES

Levies were paid to the following Authorities:

	2010/11 £000	2009/10 £000
Financial Reporting Council Preparers Levy	2	0
London Councils - London Boroughs Grants Scheme	1,181	1,183
Environment Agency	252	255
Lee Valley Regional Park Authority	386	387
London Pensions Fund Authority	483	511
	<b>2,304</b>	<b>2,336</b>

### Financial Reporting Council Preparers Levy

The Financial Reporting Council raises an annual levy on preparers of accounts as part of the arrangements for funding its regulatory responsibilities.

### London Councils – London Boroughs Grants scheme

London Councils (formerly the Association of London Government) is one of the major funders of voluntary groups in the capital distributing grant to provide Londoners with more opportunities, reducing social exclusion and poverty and promote equality and reduce discrimination. The levy is apportioned between individual London boroughs, each borough's contribution being based on total resident population as a proportion of the whole of Greater London.

### Environment Agency

The Environment Agency is the leading public body protecting and improving the environment in England and Wales to ensure tomorrow's generations inherit a cleaner, healthier world. This levy contributes to their work in reducing the risk of flooding and providing information and support services to those at risk. The majority of funding for this service comes directly from the Department for Environment, Food and Rural Affairs (DEFRA) in the form of grant aid which is supplemented by this regional levy on County and Unitary Authorities and London boroughs. The levy is apportioned on the basis of Council Tax Base.

### Lee Valley Regional Park Authority

This levy is apportioned between London boroughs and the County Councils of Hertfordshire and Essex and the Unitary Authority of Thurrock on the basis of the Council Tax Base. The levy contributes towards a 10,000 acre regional park which includes a mosaic of countryside areas, heritage sites, country parks, nature reserves and sport and recreation centres.

### London Pensions Fund Authority

The London Pensions Fund Authority raises a levy each year to meet expenditure on the premature retirement, compensation and outstanding personnel matters for which the LPFA is now responsible and cannot charge to the pension fund. These payments related to former employees of the Greater London Council, Inner London Education Authority and the London Residuary Body.



## 9. CONTRIBUTION TO HOUSING POOLED CAPITAL RECEIPTS

When an asset is sold the sale proceeds are credited to the Usable Capital Receipts Reserve. Under the Local Government Act 2003 when the disposal relates to an HRA property, 75% of the proceeds of HRA dwellings sold under the Right to Buy (RTB) and 50% of land sales are transferred to the Government for inclusion in the national redistribution pool.

100% of receipts for dwellings sold under the Social Home Buy scheme may be retained by the Authority and 100% of all non-RTB sales may be retained if the receipts are used for regeneration or affordable housing projects and there is sufficient Capital Allowance.

The current Code of Practice on Local Authority Accounting requires any amount paid to the pool to be disclosed as expenditure after Net Cost of Services, even though the capital receipts have not themselves been recognised as an income item in the Comprehensive Income and Expenditure Statement. The deficit is made good by a transfer from Usable Capital Receipts, disclosed in the Movement in Reserves Statement.

## 10. SECTION 137, LOCAL GOVERNMENT ACT 1972

Section 137 of the Local Government Act 1972, as amended, empowers local Authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The expenditure is limited to £6.15 per head of population. The Council was permitted to spend £2.088m under this power in 2010/11 (£2.088m in 2009/10). Actual expenditure was £0.062m on donations to voluntary bodies working in the local area (£0.067m in 2009/10).

## 11. PUBLICITY ACCOUNT

Section 5 of the Local Government Act 1986 requires each local Authority to keep a separate account of expenditure on certain types of publicity. An analysis of Croydon's publicity expenditure is shown below.

	<b>2010/11 £000</b>	<b>2009/10 £000</b>
Publicity and Promotions	267	308
Press and Publications	371	346
Your Croydon Publication	146	225
<b>Total publicity expenditure</b>	<b>784</b>	<b>879</b>

## 12. BUILDING CONTROL ACCOUNT

Local Authorities are required to prepare a Building Control statement under Regulation 5(6) of the Building (Local Authority Charges) Regulations 1998. The statement includes all income received and expenditure incurred in carrying out building control functions under the above regulations.

<b>Building Regulations Charging Account</b>	<b>Chargeable 2010/11 £000</b>	<b>Non-Chargeable 2010/11 £000</b>	<b>Total 2010/11 £000</b>	<b>Total 2009/10 £000</b>
<b>Expenditure</b>				
Employee expenses	791	384	1,175	1,274
Transport	23	10	33	30
Supplies and services	56	10	66	184
Central and support services	181	81	262	327
<b>Total Expenditure</b>	<b>1,051</b>	<b>485</b>	<b>1,536</b>	<b>1,815</b>
<b>Income</b>				
Building regulation charges	(991)	0	(991)	(937)
Miscellaneous income	0	(5)	(5)	0
<b>Total Income</b>	<b>(991)</b>	<b>(5)</b>	<b>(996)</b>	<b>(937)</b>
<b>(Surplus)/Deficit for the year</b>	<b>60</b>	<b>480</b>	<b>540</b>	<b>878</b>

From 1999/00 onwards the chargeable element of the account is required to break even over a rolling three year period. The table below sets out the cumulative position for each three year period.

	<b>Year 1 £000</b>	<b>Year 2 £000</b>	<b>Year 3 £000</b>	<b>Total £000</b>
2002/03 - 2004/05	(31)	(30)	(13)	(74)
2003/04 - 2005/06	(30)	(13)	(84)	(127)
2004/05 - 2006/07	(13)	(84)	(100)	(197)
2005/06 - 2007/08	(84)	(100)	67	(117)
2006/07 - 2008/09	(100)	67	33	(0)
2007/08 - 2009/10	67	33	92	192
2008/09 - 2010/11	33	92	60	185



### 13. AGENCY INCOME AND EXPENDITURE

Croydon acts as an agent for Business Improvement District (BID), collecting a Levy on their behalf. Details of BID accounts are shown in Note 15 below.

### 14. ROAD CHARGING SCHEMES (TRANSPORT ACT 2000)

The Council has no schemes under section 12 of the Transport Act 2000 for road charging or workplace charging levies.

### 15. BUSINESS IMPROVEMENT DISTRICT (BID) SCHEMES

The Croydon Business Improvement District (BID) is funded by local businesses and was approved by ballot on 1 March 2007. It operated from 1 April 2007, for five years, and will provide additional services and improvements on existing services within the Town Centre independently from the Council. It is funded by a 1.038% levy on the rateable value of all business premises within the BID area with a rateable value that meets or exceeds £40,000, including empty properties. From October 2010, the Council provided facilities and management support services in addition to the levy collection service. The most up to date figures from the BID Company are shown below:

	<b>2010/11</b>		<b>2009/10</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
BID levy income		(1,264)	(1,126)
Interest receivable and similar income		0	(3)
		<b>(1,264)</b>	<b>(1,129)</b>
Costs of collecting levy	15		15
Payment for services provided by other parties	584		677
Administrative expenses and tax	431		496
		<b>1,030</b>	<b>1,188</b>
(Surplus)/Deficit for the year		(234)	59
Surplus brought forward		(79)	(138)
<b>Surplus carried forward</b>		<b>(313)</b>	<b>(79)</b>

### 16. LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

The Council is empowered by this Act to provide goods and services to other public bodies. There are no arrangements made under this Act.

### 17. POOLED BUDGETS (PARTNERSHIPS UNDER SECTION 31 OF THE HEALTH ACT 1999)

The Council has entered into two agreements for pooled budgets under Section 31 of the Act. Both agreements have been documented, approved by Cabinet and the Croydon Primary Care Trust (PCT) Board and signed. The agreements, both of which commenced on 1 April 2004, are for:

- Croydon's integrated community equipment service (CCES), and
- Croydon's integrated community occupational therapy service (CCOTS).

The CCES agreement is hosted by the Council and the CCOTS agreement is hosted by the PCT.

	<b>2010/11</b>			<b>2009/10</b>		
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>2009/10</b>	<b>£000</b>	<b>£000</b>
	<b>Council</b>	<b>Partner</b>	<b>Total</b>	<b>Council</b>	<b>Partner</b>	<b>Total</b>
<b>Croydon's Community Equipment Service</b>						
Gross Income	(902)	(590)	(1,492)	(901)	(574)	(1,475)
Gross Expenditure	0	1,603	1,603	0	1,590	1,590
Net Expenditure	<b>(902)</b>	<b>1,013</b>	<b>111</b>	<b>(901)</b>	<b>1,016</b>	<b>115</b>
<b>Croydon's Community Occupational Therapy Service</b>						
Gross Income	(1,549)	(893)	(2,442)	(1,531)	(802)	(2,333)
Gross Expenditure	0	2,226	2,226	0	2,247	2,247
Net Expenditure	<b>(1,549)</b>	<b>1,333</b>	<b>(216)</b>	<b>(1,531)</b>	<b>1,445</b>	<b>(86)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 18. GRANT INCOME

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement:

	<b>2010/11</b>	<b>2009/10</b>
	<b>£000</b>	<b>£000</b>
<b>Credited to Taxation and Non Specific Grant Income</b>		
Recognised capital grants and contributions	34,746	29,426
Council tax income	148,762	143,383
National Non Domestic Rates (NNDR)	103,505	94,915
Revenue Support Grant	15,030	21,908
Non service related government grants (page 34)	30,288	25,709
<b>Taxation and Non Specific Grants</b>	<b>332,331</b>	<b>315,341</b>
<b>Credited to Services</b>		
Asylum Seekers	26,375	32,167
Department for Communities & Local Government - Other	34	78
Connexions	0	218
Department for Children Schools & Families/Business Innovation & Skills Grant	525	700
Department for Transport	422	0
Dedicated Schools Grant	205,664	201,950
Department of Health - Other	2,263	1,289
Department of Health - Social Care	1,313	690
Department for Work & Pensions	3,996	3,545
European Social Fund	116	336
Housing Development	0	126
Skills Funding Agency	26,183	18,432
Local Authority Business Growth Incentives Scheme	0	482
Local Enterprise Growth Initiative	208	78
Local Public Service Agreement Performance Reward	410	3,295
London Development Agency	232	1,426
Private Finance Initiative (PFI)	3,436	7,404
Planning Delivery	131	488
Prevention Measures	0	937
Safer and Stronger Communities Fund	0	288
School Standards	74,365	79,746
Supporting People	0	11,786
Transport for London	332	0
Waste Disposal	0	344
Welfare Milk Subsidy	70	227
Youth Justice Board	1,120	151
Other Grants	992	832
<b>Service Grants and Contributions</b>	<b>348,188</b>	<b>367,015</b>
<b>Total Grants Income</b>	<b>680,519</b>	<b>682,356</b>

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	<b>2010/11</b>	<b>2009/10</b>
	<b>£000</b>	<b>£000</b>
<b>Capital Grants Receipts in Advance</b>		
Rockmount Primary Reorganisation	0	139
Capital Fund for Kitchens	252	0
Ashburton Environmental Improvement Grant	48	0
Harris Academy Purley	218	0
Oasis Shirley Park ICT Funding	949	0
Primary Capital Programme	6,104	257
Capital Modernisation Grant	505	0
Post 16 and Special Education Needs	4,609	4,846
Basic Needs	10,033	0
Extended Schools Projects	0	1,232
Practical Cooking Spaces	64	0
Youth Capital Fund Programme	90	0
Building of Coulsdon Academy	69	2,238
Council New Build Phase 2A	0	4,790
Marston Way Housing Scheme	0	144
Playbuilder	0	202
Innovation Training Fund	0	80
Contaminated Land Grants	0	25
Transport for London (TfL)	1,919	1,912
Growth Area Funding (GAF) Capital Schemes	8	1,680
Local Enterprise Growth Initiative (LEGI) Capital Funding	0	1,257
<b>Total</b>	<b>24,868</b>	<b>18,802</b>

## 18. GRANT INCOME (continued)

### Area Based Grants (ABG)

From the 2008/09 financial year Local Area Agreement (LAA) Grant was replaced by Area Based Grant (ABG). ABG is a non-ringfenced general grant, without conditions on use imposed by its grant determination, thereby ensuring full local control over how the funding can be used. This means that, unlike LAA Grant, its use is not restricted to supporting the achievement of LAA targets. Also, unlike LAA Grant, ABG is paid directly to the Authority that benefits from the grant, rather than being paid to the upper-tier Authority for the area in the capacity of 'accountable body' for onward distribution.

### Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an Authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school. Over- and under-spends on the two elements are required to be accounted for separately.

Details of the deployment of DSG receivable for 2010/11 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2010/11	29,822	174,767	204,589
London Pay Award Grant	0	1,075	1,075
Brought forward from 2009/10	(1,429)	(883)	(2,312)
DSG receivable for the year	28,393	174,959	203,352
Actual expenditure for the year	(28,078)	(175,470)	(203,548)
(Over)/Underspend for the year	315	(511)	(196)
<b>(Over)/Underspend carried forward to 2011/12</b>	<b>315</b>	<b>(511)</b>	<b>(196)</b>

## 19. MEMBERS ALLOWANCES

The total of allowances paid to the Members of the Council was £1.58m in 2010/11 (£1.62m in 2009/10).

## 20. EMPLOYEES' EMOLUMENTS

Out of more than 6,000 employees, the number whose remuneration, excluding pension contributions was £50,000 or more in bands of £5,000 was:

Remuneration Band	2010/11		2009/10	
	Schools	Non-Schools	Schools	Non-Schools
£205,000 - £209,999	0	0	0	0
£200,000 - £204,999	0	1	0	1
£195,000 - £199,999	0	0	0	0
£165,000 - £169,999	0	1	0	0
£160,000 - £164,999	0	1	0	1
£155,000 - £159,999	0	0	0	1
£150,000 - £154,999	0	1	0	0
£145,000 - £149,999	0	0	0	0
£140,000 - £144,999	0	1	0	2
£135,000 - £139,999	2	1	0	1
£130,000 - £134,999	0	0	0	0
£125,000 - £129,999	0	0	2	0
£120,000 - £124,999	0	2	0	0
£115,000 - £119,999	0	0	0	0
£110,000 - £114,999	1	3	1	2
£105,000 - £109,999	2	5	0	0
£100,000 - £104,999	2	4	1	7
£95,000 - £99,999	6	7	2	7
£90,000 - £94,999	4	6	3	6
£85,000 - £89,999	3	7	6	8
£80,000 - £84,999	4	6	7	8
£75,000 - £79,999	19	17	9	15
£70,000 - £74,999	15	9	21	13
£65,000 - £69,999	33	20	27	21
£60,000 - £64,999	41	30	41	20
£55,000 - £59,999	56	41	44	29
£50,000 - £54,999	78	92	93	93

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 20. EMPLOYEES' EMOLUMENTS (continued)

<b>Corporate Management Team</b>	<b>Jon Rouse Chief Executive</b>	<b>Hannah Miller Deputy Chief Executive &amp; Executive Director of Adult Services &amp; Housing</b>	<b>Nathan Elvery Deputy Chief Executive &amp; Executive Director of Corporate Resources &amp; Customer Services</b>	<b>Emma Peters Executive Director of Planning, Regeneration &amp; Conservation</b>	<b>Dave Hill* Executive Director of Children, Young People &amp; Learners</b>	<b>Paul Greenhalgh** Executive Director of Children, Young People &amp; Learners</b>	<b>Tom Jeffrey Executive Director of Community Services</b>	<b>Damian Roberts Director Step Change Croydon</b>	<b>Pam Parkes Director of Human Resources &amp; Organisational Development</b>	<b>Julie Belvir Director of Democratic Legal Services &amp; Monitoring Officer</b>
<b>2010/11</b>										
Basic Salary	188,976	137,262	137,262	137,262	77,081	11,439	127,017	102,034	98,664	98,664
Chief Officer Allowance	0	6,321	6,321	6,321	3,687	0	6,321	4,452	6,321	6,321
Deputy Chief Executive Allowance	0	10,000	10,000	0	0	0	0	0	0	0
Additional Allowance	0	0	0	0	0	0	0	0	0	5,123
Salary (including Fees & Allowances)	188,976	153,583	153,583	143,583	80,768	11,439	133,338	106,486	104,985	110,108
Performance Related Pay	0	13,726	6,863	6,863	13,214	0	6,351	0	0	0
Expense Allowances	0	0	0	0	0	0	0	0	0	0
Compensation for Loss of Office	0	0	0	0	0	0	0	0	0	0
Benefits in Kind	0	0	0	0	0	0	0	0	0	0
Returning Officer Fee	15,544	0	0	0	0	0	0	0	0	0
Total Remuneration excluding Pension Contributions	204,520	167,309	160,446	150,446	93,982	11,439	139,689	106,486	104,985	110,108
Employer's Pension Contributions	43,842	35,631	35,631	33,311	18,738	2,654	30,934	24,705	24,357	25,545
Total Remuneration including Pension Contributions	248,362	202,940	196,077	183,757	112,720	14,092	170,623	131,191	129,342	135,653
<b>2009/10</b>										
Basic Salary	188,976	137,262	137,262	137,262	132,138	0	127,017	96,042	96,042	103,787
Chief Officer Allowance	6,321	6,321	6,321	6,321	6,321	0	6,321	6,321	6,321	6,321
Deputy Chief Executive Allowance	0	10,000	10,000	0	0	0	0	0	0	0
Additional Allowance	0	0	0	0	0	0	0	0	0	0
Salary (including Fees & Allowances)	195,297	153,583	153,583	143,583	138,459	0	133,338	102,363	102,363	110,108
Performance Related Pay	0	7,928	5,147	0	3,331	0	4,763	0	0	0
Expense Allowances	0	0	0	0	0	0	0	0	0	0
Compensation for Loss of Office	0	0	0	0	0	0	0	0	0	0
Benefits in Kind	0	0	0	0	0	0	0	0	0	0
Returning Officer Fee	8,352	0	0	0	0	0	0	0	0	0
Total Remuneration excluding Pension Contributions	203,649	161,511	158,730	143,583	141,790	0	138,101	102,363	102,363	110,108
Employer's Pension Contributions	43,161	33,942	33,942	31,732	30,599	0	29,468	22,622	22,622	24,334
Total Remuneration including Pension Contributions	246,810	195,453	192,672	175,315	172,389	0	167,569	124,985	124,985	134,442

\* Dave Hill left office on 31 October 2010

\*\* Paul Greenhalgh took up office on 01 March 2011

During 2010 the Council as part of the Employee Based Cost Review reviewed senior management pay. This was frozen in 2010/11 and for the subsequent 2 years. Additionally it has been agreed that performance related pay for Executive Directors will not apply for the next 2 years.

The Chief Executive has surrendered his Chief Officer Allowance.

The Council received a contribution in 2010/11 of £3,229 for Jon Rouse's work for the Department of Health. He resigned this role in October 2010.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 21. RELATED PARTY TRANSACTIONS

Organisation	Related Party	Related Transaction 2010/11	£
Croydon College	Bernadette Khan Governor Vidhi Mohan Governor	Funding from the Local Education Authority for various educational activities	£5,856,127
CCURV LLP	Jon Rouse Director Nathan Elvery Director Tom Jeffrey Director	Croydon Council Regeneration Vehicle (CCURV) is a limited liability partnership (LLP) acting as a 50:50 joint venture between Croydon Council and John Laing Projects and Development (Croydon) Ltd to develop and regenerate a number of sites owned by the council	£3,665,868
Coulsdon College	Matthew Kyeremeh Employee	Funding from the Local Education Authority for various educational activities	£2,356,266
Croydon Economic Development Ltd	Toni Letts Member	Area Based Grant Funding	£1,935,999
Fairfield Halls	Helen Pollard Non-executive director Timothy Godfrey Director Dudley Mead Director and chairman Jon Rouse Director	<b>Individual grants - Community Services arts</b> Creative arts workshops (from ABG) Capital programme, health and safety	£1,400,000
Garwood Foundation	Dudley Mead Chairman	<b>Children's Fund</b> Creative Arts workshops Operation of the Rutherford Special School, funded by the LEA for care of statemented children	£1,391,865
South London YMCA	David Fitze Member	<b>Housing</b> Support in shared hostels for young people, single homeless people and people with drug and alcohol problems, a drug resettlement service <b>Discretionary Rate Relief</b>	£1,263,456
Croydon Primary Care Trust/ Croydon NHS	Tony Newman Director	Teenage Pregnancy Strategy, Carers grant, Speech and language therapy packages for SEN, Mental health services, hosting HIV voluntary sector contracts	£1,157,032
Children's Trust	Manju Shahul-Hameed Member	The School for Profound Education for pupils with profound and multiple learning difficulties, short breaks, transitional, palliative and long term nursing care	£580,078
Croydon Youth Development Trust	Maggie Mansell Trustee	<b>Children's Fund</b> Junior youth inclusion project/mentoring programme <b>Individual Youth Work - Steps to Success</b> 6 week personal development programme for young people <b>Individual Youth Work - Prep 12 Tracking Worker</b> To track down the 16-19 year olds that the core connexions service has not been able to contact through home visits and community work & offer a bespoke support service for these young people <b>Individual youth work - Mystery Shopper</b> Work with young people to mystery shop and gain feedback feedback on the Connexions service <b>Youth Offending Team</b> To provide Croydon Autobikes groupwork programme for young people aged 13 to 17 <b>Youth Work</b> Group work programme for young people via Youth Development Service <b>Youth Work</b> To support the infrastructure of the organisation <b>Discretionary Rate Relief</b>	£376,233
Mott Macdonald Ltd	Vidhi Mohan Employee	Engineering and Development Consultancy for projects including Schools for the future.	£301,315
Metropolitan Police Authority	Steve O'Connell Member	Contributions towards jointly run projects such as Youth Crime Action Plan and Pathways	£252,027
London Mozart Players	Dudley Mead Director	<b>Individual grants - Community services arts</b> Support for artistic programme and programme of education and outreach work	£199,877

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 21. RELATED PARTY TRANSACTIONS (continued)

Organisation	Related Party	Related Transaction 2010/11	£
Quest Academy	Helen Pollard Governor	Fund statemented children with special educational needs	£185,099
Croydon Magistrates Court	Lynne Hale Magistrate Margaret Mead Magistrate	Fees for processing Council Tax and NNDR Summonses at £3.00 per Summons	£160,884
Croydon Neighbourhood Care Association	Simon Hall Trustee	<b>Older people &amp; PDSI</b> Umbrella organisation providing information, advice, support to neighbourhood care groups	£152,769
Whitgift Foundation	Dudley Mead Member of the court Margaret Mead Member of the court Toni Letts Member of the court David Fitze Member	Operation of the John Whitgift school which receives LEA funding for early years activity	£129,362
Age Concern	David Fitze Member Pat Clouder Member	<b>Corporate Funding</b> Advice - Welfare benefits outreach project <b>Older people &amp; PDSI</b> Advice and information hub for older people <b>Stronger Communities Fund</b> Bridging funding to allow continuation of service until new funding comes on stream from DASH from 1 April 2011 <b>Older people &amp; PDSI</b> Advocacy <b>Discretionary Rate Relief</b>	£129,155
Together In Waddon	Alison Butler Board Member	<b>Children, Young people &amp; families Programme</b> Integrated Services strand 3 <b>Children's Fund</b> Arts and Sports Activities <b>Older People and PDSI</b> Advice service, trips, health forums, lunch club, singing group advice and information for older people <b>Corporate Funding</b> Infrastructure core costs <b>Corporate Funding</b> Advice Service <b>Stronger Communities Fund</b>	£113,003
London Fire And Emergency Planning Authority	Mike Fisher Borough Member	Contribution to 'Operation Crossfire' scheme to educate children about the danger of fire	£75,175
Croydon Housing Aid Society	Alisa Flemming Board Member Alison Butler Board Member	<b>Homeless People</b> To Provide an independent housing advice service to local residents.	£75,000
South London Business	Lynne Hale Member - Spouse	Local enterprise growth initiative e-commerce grant	£62,837
Bangladesh Welfare Association Croydon	Badsha Quadir President Sherwan Chowdhury Trustee	<b>Saturday Supplementary education</b> <b>Corporate Funding</b> Core Costs and welfare advice <b>Discretionary Rate relief</b> <b>Carer's Support</b> Short breaks for carers in the Bangladeshi community <b>Community Languages</b> Teaching Bengali Language <b>Stronger Communities fund</b> Premises costs	£38,657
South Norwood And Woodside Community Association	Karen Jewitt Employee Simon Hall Trustee	<b>Older People and PDSI</b> Lunch clubs, activities and shopping trips for older people	£35,432



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 21. RELATED PARTY TRANSACTIONS (continued)

Organisation	Related Party	Related Transaction 2010/11	£
Sir Philip Game Centre	Mark Watson Trustee	<b>Youth Work</b> Rental costs for hiring of space to carry out Youth projects for young people <b>Discretionary rate relief</b>	£30,100
Crystal Palace Football Club	Anthony Pearson Employee	Contribution to 'Football in the Community' scheme	£29,074
Upper Norwood Joint Library Committee	Vidhi Mohan Member	Croydon's contribution towards the running cost of the library	£25,090
Timebridge	Simon Hall Committee Member	<b>Youth Work</b> Rental costs for hiring of space to carry out Youth projects for young people	£23,780
Care Quality Commission	Jeet Bains Head of Regulatory Development Programmes	Statutory registration of adult social care services including shared lives scheme, homefield house, langley oaks and heather way residential centre	£23,374
Mushkil Aasaan	Bernadette Khan Consultant	Community care for Asian families in crisis across South London, and has received funds as part of Croydon's children with disabilities family support programme	£20,697
Ruskin House	Simon Hall Member George Ayres Member Maggie Mansell Member Carole Bonner Member	A Special needs school that is funded by the LEA to care for children with Special Educational Needs who cannot be cared for in the borough's own schools	£17,842
Winterbourne Nursery School	Sherwan Chowdhury Employee - spouse	<b>Insurance claim</b> Theft of lead and water damage	£17,635
Mitcham Common Conservators	Timothy Godfrey Vice Chair	Contribution towards running costs	£17,012
Bioregional	Mark Watson Chief Operating Officer	Undertaking woodland management on behalf of the Council	£14,692
Community Server Ltd	Simon Hall Finance Committee	<b>Corporate Funding</b> Core Costs <b>Discretionary Rate Relief</b>	£13,100
Croydon Savers Credit Union	Jon Rouse Member Sean Fitzsimons Member Carole Bonner Member & Supervisory Committee Mike Fisher Member	<b>Corporate funding</b>	£12,970
Law Society	Clare George-Hilley Member	Annual professional subscriptions and procurement of legal services tender	£12,950
Shirley Community Centre	Richard Chatterjee Member Mike Fisher Member	<b>Youth Work</b> Rental costs for hiring of space to carry out Youth projects for young people <b>Rent Subsidy</b> <b>Discretionary Rate Relief</b>	£11,008
Addiscombe Boys and girls club	Eddy Arram Chairman	<b>Youth Work</b> Rental costs for hiring of space to carry out Youth projects for young people <b>Discretionary Rate Relief</b>	£9,792
Trinity School Of John Whitgift	Dudley Mead Governor	Catering fees for statutory election Funding for early years activities	£8,453
Old Town Youth Club	Tony Harris	Hire of Premises & Equipment& petrol allowance heat & light payments for lunch clubs	£6,006
New Addington Peoples Day	Simon Hall Treasurer Carole Bonner Committee Member	Funding for Carnival	£5,000
Kerala Cultural And Welfare Association	Manju Shahul-Hameed Member	<b>Corporate Funding</b> Small grants for core costs	£4,500

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 21. RELATED PARTY TRANSACTIONS (continued)

Organisation	Related Party	Related Transaction 2010/11	£
South West London Law Centre	Carole Bonner Employee	Legal fees for court ordered re-entry after eviction action.	£3,612
Beulah Nursery And Infants	Matthew Kyeremeh Governor	<b>Insurance claim</b> Theft of lead	£3,280
Norbury Park Tennis Club	Stuart Collins Member	Contribution towards 'Kickstart Tennis' scheme	£1,000
Rotary Club Of Purley	David Osland Member	Civic event held by the Mayor of Croydon	£1,000
Friends Of Foxley Woods	Jan Buttinger Volunteer - Spouse	<b>Nature Conservation</b> Insurance	£836
Woodside Bereavement Services	Richard Chatterjee Committee Member	<b>Mental Health</b> Provision of Counselling Services	£651
Circle Anglia Housing	Sherwan Chowdhury Employee	Refund in connection with Trade Refuse charge	£625
Friends Of Beaulieu Heights	Kathy Bee Member	<b>Nature Conservation</b> Insurance	£597
Coulsdon Community Centre Association	Terry Lenton Member	<b>Youth Work</b> Rental costs for hiring of space to carry out Youth projects for young people <b>Discretionary Rate Relief</b>	£535
Old Palace School Of John Whitgift	Dudley Mead Governor	Supply cover for School Travel Plan Swimming Sessions for adults with learning disabilities	£525
Friends Of Kings Wood	Lynne Hale Member	<b>Nature Conservation</b> Insurance	£321
Friends Of Croham Hurst Woods	Maria Gatland Chairman	<b>Nature Conservation</b> Insurance	£227
Croydon Natural History And Scientific Society	Susan Winborn Member Maggie Mansell Member	<b>Rent Subsidy</b>	£212
Friends Of Bradmore Green Pond	Chris Wright Chairman	<b>Nature Conservation</b> Insurance	£204
New Addington Peoples Carnival	Carole Bonner Committee Member Simon Hall Treasurer	Payment for a 'pitch' at the carnival for the 'Healthy Living Hub'	£200
BIFM	Eddy Arram Member Patricia Hay-Justice Member	Professional Membership Subscription	£158
Woodside Baptist Church	Richard Chatterjee Member	Fees for hire of Hall hire for statutory elections	£56
St Mary's Church	Lynne Hale Member	Fees for officiating at marriages	£4

The Pension Fund is a separate entity from the Council with its own Statement of Accounts and Balance Sheet. The following material transactions took place between the Council and the Pension Fund:

	2010/11 £000	2009/10 £000
<b>Receipts</b>		
Pension Contributions - from the Council (employer's contributions)	29,291	27,578
Pension Contributions - from employees (deductions paid over)	8,562	8,406
<b>Total Receipts</b>	37,853	35,984



## 22. EXTERNAL AUDIT COST

	2010/11 £000	2009/10 £000
Audit Commission fees payable:		
Audit of annual accounts	267	252
Inspection	155	176
Certification of grant claims	95	110
Rebate	(28)	0
Fees payable for other services	(3)	(8)
	486	530

## 23. CONTRIBUTION FROM NATIONAL NON-DOMESTIC RATE POOL

In accordance with the arrangements for uniform business rates, the Council collects National Non-Domestic Rates for the Borough of Croydon. The amount collected is based upon local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the National Non-Domestic Rate pool) managed by the Government. In return the Government makes payments to local Authorities from the pool.

From 2006/07 Councils receive a fixed share of their Formula Grant as Redistributed Business Rate income based on the total of the Distributable Amount as a proportion of the total of Revenue Support Grant plus the Distributional Amount. The amount is disclosed under Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

### Figures from Final Settlements (Communities and Local Government)

	NNDR Pool £000	% of Formula Grant %
2009/10	94,915	87.7
2010/11	103,505	98.5

Croydon Council contributes more to the NNDR pool than it receives back from central Government:

	£000
NNDR Collectable	105,095
Receipt from the NNDR Pool	(103,505)
Net Contribution	1,590

## 24. ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations during the year.

## 25. CONTINGENT LIABILITY AND ASSET

### Contingent Liabilities

#### Social Care Change

The contingent liability of £1.4m relates to the potential costs of the delay of the 'Social Care Change' programme. The care for clients affected by this scheme were originally funded by the NHS, this responsibility was transferred to local authorities in 2009/10. As was common for most authorities, the negotiations with the local PCT were somewhat protracted, the value of the funds transfer was not agreed until very late in 2009/10. The provider for this care has subsequently attempted to charge the council based on the terms and conditions agreed with NHS, this includes payments for empty beds, whereas the council maintains that it will only pay for placements as and when they occur and at the rate the council had previously agreed with the provider.

#### Contingent Assets

There were no contingent assets at 31 March 2011.

## 26. CAPITAL EXPENDITURE AND FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	<b>General Fund £000</b>	<b>Housing Revenue Account £000</b>	<b>2010/11 Total £000</b>	<b>2009/10 Total £000</b>
<b>EXPENDITURE:</b>				
Property, Plant and Equipment	73,955	28,139	102,094	72,024
Property, Plant and Equipment - PFI	22,122	0	22,122	5,338
Bullet Payment - Homes PFI	6,100	0	6,100	0
Investment Properties	0	0	0	12
Revenue expenditure funded from capital under statute	14,425	287	14,712	9,585
Redundancy - Revenue expenditure funded from capital under statute	1,976	0	1,976	0
Intangible assets	3,194	0	3,194	1,481
Repayment of loans	3,601	0	3,601	0
Loan for Public Service Delivery Hub	16,185	0	16,185	18,131
	<b>141,558</b>	<b>28,426</b>	<b>169,984</b>	<b>106,571</b>
<b>FINANCED BY:</b>				
Borrowing approvals	81,410	8,569	89,979	57,304
Capital receipts	5	1,684	1,689	3,417
Government grants and other contributions	33,469	6,687	40,156	23,103
Grants relating to revenue expenditure funded from capital under statute	9,552	106	9,658	6,132
Direct Revenue Contributions	12	0	12	5,678
Schools Contributions	17,110	0	17,110	0
Major Repairs Reserve	0	11,380	11,380	10,937
	<b>141,558</b>	<b>28,426</b>	<b>169,984</b>	<b>106,571</b>
<b>EXPLANATION OF MOVEMENTS IN YEAR:</b>				
Increase in underlying need to borrow (unsupported by Government financial assistance)	81,410	8,569	89,979	57,304
Assets acquired under finance leases	0	0	0	0
Assets acquired under PFI/PPP contracts	22,122	0	22,122	5,338
Increase/(decrease) in Capital Financing Requirement	<b>103,532</b>	<b>8,569</b>	<b>112,101</b>	<b>62,642</b>

## 27. CAPITAL COMMITMENTS

Capital schemes with significant contractual commitments for future capital expenditure:

<b>Department</b>	<b>Capital Scheme</b>	<b>Expenditure to 31 March 2011 £000</b>	<b>Estimated Total Cost £000</b>
Adult Services and Housing			
	Housing New Build	10,075	14,442
Children, Young People and Learners			
	Primary Capital Programme	15,324	72,653
	Academies Programme	16,440	64,890
Planning, Regeneration and Conservation			
	Waddon Waylands Regeneration Scheme	7,302	25,716
	Public Service Delivery Hub	36,378	138,329
		<b>85,519</b>	<b>316,030</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 28. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2010/11	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	37,631	243,977			(476)	(281,132)
Revaluation losses on Property Plant and Equipment	21,028	(111,993)				90,965
Movements in the market value of Investment Properties	2,551	0				(2,551)
Amortisation of intangible assets	1,585	3				(1,588)
Capital grants and contributions applied	(47,836)	(8,353)		6,946		49,243
Revenue expenditure funded from capital under statute	17,032	287				(17,319)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	12,659	(3,878)	4,912			(13,693)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>	0					0
Statutory provision for the financing of capital investment	(8,771)					8,771
Capital expenditure charged against the General Fund and HRA balances	(17,122)					17,122
	18,757	120,043	4,912	6,946	(476)	(150,182)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Application of grants to capital financing transferred to the Capital Adjustment Account				(574)		574
	0	0	0	(574)	0	574
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	118	2,119	(2,237)			0
Use of the Capital Receipts Reserve to finance new capital expenditure			(1,689)			1,689
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(4)	(8)	12			0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool		1,141	(1,141)			0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			47			(47)
Lessor leases - Regulation 4 mitigation	2,345		(8,900)			6,555
	2,459	3,252	(13,908)	0	0	8,197
<b>Adjustment primarily involving the Major Repairs Reserve:</b>						
Major Repairs Allowance credited to the HRA		11,856				(11,856)
Reversal of Major Repairs Allowance credited to the HRA		(11,856)			11,856	0
Use of the Major Repairs Reserve to finance new capital expenditure					(11,380)	11,380
	0	(11,856)	0	0	476	11,380
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(127)	(488)				615
	(127)	(488)	0	0	0	615
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 50)	(5,622)	(504)				6,126
Employer's pensions contributions and direct payments to pensioners payable in the year	(29,711)	(2,664)				32,375
	(35,333)	(3,168)	0	0	0	38,501
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(3,237)					3,237
	(3,237)	0	0	0	0	3,237
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(18)	(26)				44
	(18)	(26)	0	0	0	44
<b>Total Adjustments</b>	(17,499)	119,613	(8,996)	6,372	0	(99,490)

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 28. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2009/10 - Comparative Figures

**Adjustments primarily involving the Capital Adjustment Account:**

**Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:**

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Charges for depreciation and impairment of non-current assets	32,615	55			(50)	(32,620)
Revaluation losses on Property Plant and Equipment	56,118	7,007				(63,125)
Movements in the market value of Investment Properties	(9,481)					9,481
Amortisation of intangible assets	1,367	3				(1,370)
Capital grants and contributions applied	(28,260)	(1,298)		335		29,223
Revenue expenditure funded from capital under statute	9,382	204				(9,586)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	20,946	(2,345)	2,855			(21,456)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						0
Statutory provision for the financing of capital investment	(5,975)					5,975
Capital expenditure charged against the General Fund and HRA balances	(5,678)					5,678
	71,034	3,626	2,855	335	(50)	(77,800)

**Adjustments primarily involving the Capital Grants Unapplied Account:**

Application of grants to capital financing transferred to the Capital Adjustment Account				(143)		143
	0	0	0	(143)	0	143

**Adjustments primarily involving the Capital Receipts Reserve:**

Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	15	1,314	(1,329)			0
Use of the Capital Receipts Reserve to finance new capital expenditure			(3,417)			3,417
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool		613	(613)			0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash						0
Lessor leases - Regulation 4 mitigation	2,307					(2,307)
	2,322	1,927	(5,359)	0	0	1,110

**Adjustment primarily involving the Major Repairs Reserve:**

Major Repairs Allowance credited to the HRA		10,987				(10,987)
Reversal of Major Repairs Allowance credited to the HRA		(10,987)			10,987	0
Use of the Major Repairs Reserve to finance new capital expenditure					(10,937)	10,937
	0	(10,987)	0	0	50	10,937

**Adjustment primarily involving the Financial Instruments Adjustment Account:**

Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	2,210	376				(2,586)
	2,210	376	0	0	0	(2,586)

**Adjustments primarily involving the Pensions Reserve:**

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 50)	43,702	4,058				(47,760)
Employer's pensions contributions and direct payments to pensioners payable in the year	(27,559)	(2,559)				30,118
	16,143	1,499	0	0	0	(17,642)

**Adjustment primarily involving the Accumulated Absences Account:**

Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(363)	19				344
	(363)	19	0	0	0	344
<b>Total Adjustments</b>	91,346	7,447	(2,504)	192	0	(96,481)

## 29. LEASES

### Authority as Lessee

#### Finance Leases

The authority leases HRA properties, a multi storey car park, light industrial units and a few miscellaneous assets under finance leases. Every finance lease apart from the light industrial units at Enterprise Close has been acquired either through payment of a lease premium or by donation, with only a minimal annual rental payable in some instances.

The assets acquired under these leases are carried in the Balance Sheet at the following net amounts.

	2010/11 £000	2009/10 £000
Council Dwellings	419	420
Investment Property	5,200	7,550
Community	0	0
Other Land and Buildings	113	115
<b>Total</b>	<b>5,732</b>	<b>8,085</b>

The authority is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts. They are disclosed as both the total cash payment that will be made (gross) and the net present value (NPV) of that future cash payment. The note relates to Enterprise Close, being the only finance with a significant annual rental. The minimal annual rental for the other properties recognised as held under finance leases is expensed as incurred.

#### Enterprise Close

	2010/11 Gross £000	NPV £000	2009/10 Gross £000	NPV £000
Not later than one year	12	3	12	3
Later than one year and not later than five years	46	15	46	14
Later than five years	337	203	348	207
<b>Minimum lease payments</b>	<b>395</b>		<b>406</b>	
Finance costs payable in future years		174		182
<b>Minimum lease payments</b>		<b>395</b>		<b>406</b>

This table details the other payments made under finance leases both gross and the NPV thereof. Some of the HRA properties are leased for 999 years, consequently, the analysis is limited to a 99 year period to provide reasonably meaningful figures.

#### All other finance leases

	2010/11 Gross £000	NPV £000	2009/10 Gross £000	NPV £000
Not later than one year	2	2	2	2
Later than one year and not later than five years	9	7	9	7
Later than five years	98	22	100	22
<b>Minimum lease payments</b>	<b>109</b>	<b>31</b>	<b>111</b>	<b>31</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £23,387 contingent rents were payable by the authority (£23,387 2009/10).

The authority has sub-let 1 Community Centre, 1 Car park and 6 HRA properties. No annual rental is received under any of the leases. No rental is charged for the Community Centre because the authority is effecting service delivery through a partner organisation. A lease premium was received for the other properties. Additionally the authority sub-lets the light industrial units in Enterprise Close. The annual rent receivable for 2010/11 was £105,390 (2009/10 was £96,480).

#### Operating leases

At 31 March 2011 the authority was leasing, on short term leases, office accommodation in 18 buildings within the borough. Additionally there were four car parks and miscellaneous other properties.

The minimum lease payments due under non cancellable leases in future years are:

	2010/11 £000	2009/10 £000
Not later than one year	3,090	3,195
Later than one year and not later than five years	6,741	8,113
Later than five years	259	781
	<b>10,090</b>	<b>12,089</b>

None of the assets leased under operating leases were sub-let.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 29. LEASES (continued)

The following lease and sub lease payments were recognised during the period:

	2010/11 £000	2009/10 £000
Minimum lease payments	3,198	3,026
Contingent rents	115	115
Sublease payments receivable	0	0
	3,313	3,141

#### Authority as Lessor

##### Finance Leases

The Authority has let six properties under finance leases for which it receives an annual rental. Numerous other properties have been let under finance leases where the authority has received a lease premium and there is either no, or a de-minimis, annual rental. Any de-minimis rentals are excluded from the following analysis.

The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term of the lease and the residual value, if any, anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is comprised of the following amounts:

	2010/11 £000	2009/10 £000
Finance lease receivable (net present value of minimum lease payments):		
current	2,385	2,345
non-current	3,271	5,656
Unearned finance income	12,854	13,127
Unguaranteed residual value of property	0	0
<b>Gross investment in the lease</b>	18,510	21,128

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	<b>Gross Investment in the Lease</b>		<b>Minimum Lease Payments</b>	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Not later than one year	2,617	2,617	2,617	2,617
Later than one year and not later than five years	1,557	3,925	1,557	3,925
Later than five years	14,336	14,586	14,336	14,586
	18,510	21,128	18,510	21,128

The unguaranteed residual value is assumed to be nil for all six properties, because of the duration of the leases. As a consequence the gross investment in the leases and the minimum lease payments are equivalent.

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £127,845 contingent rents were receivable by the Authority (£67,205 2009/10).

##### Operating Leases

The authority leases property for the following purposes:

Investment properties are let for the purpose of revenue generation and are also held in anticipation of capital appreciation.

For the provision of community services; sports facilities, office space to community organisations and clubhouses for social groups.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	2010/11 £000	2009/10 £000
Not later than one year	813	870
Later than one year and not later than five years	1,908	2,402
Later than five years	1,864	2,033
	4,585	5,305

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £123,028 contingent rents were receivable by the authority (£114,161 2009/10).

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 30. PROPERTY, PLANT AND EQUIPMENT

2010/11

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infra- structure Assets £000	Community Assets £000	Surplus Assets Held for Sale £000	Assets under Construction £000	Total PPE £000	PFI Assets Included in PPE £000
Net Book Value at 1 April 2010	663,171	901,179	14,910	84,764	3,042	0	9,778	1,676,844	0
Gross Book Value at 1 April 2010	674,100	942,839	30,181	117,021	3,044	0	9,778	1,776,963	37,792
Additions	18,655	48,722	6,060	11,937	617	0	38,225	124,216	22,122
Donations	0	0	0	0	0	0	0	0	0
Revaluation increase/(decrease) recognised in the Revaluation Reserve	0	23,239	0	0	0	0	0	23,239	0
Revaluation increase/(decrease) recognised in the Surplus/Deficit on the Provision of Services	111,969	(31,513)	0	0	0	0	0	80,456	(3,045)
Derecognition - Disposals	(761)	(13,257)	(268)	0	0	0	0	(14,286)	0
Derecognition - Other	0	(1,598)	0	(53)	(12)	0	0	(1,663)	(990)
Assets reclassified (to)/from held for sale	0	0	0	0	0	0	0	0	0
Transfers/Reclassifications	(6,143)	10,693	0	0	43	0	(4,593)	0	0
Other Movements in cost or valuation	0	0	0	0	0	0	0	0	0
Gross book value 31 March 2011	797,820	979,125	35,973	128,905	3,692	0	43,410	1,988,925	55,879
Accumulated Depreciation and Impairment at 1 April 2010	10,929	41,660	15,271	32,257	2	0	0	100,119	4,864
Depreciation for year	11,380	19,469	7,399	10,980	258	0	0	49,486	4,570
Depreciation written out to the Revaluation reserve	0	(2,481)	0	0	0	0	0	(2,481)	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	(10,508)	0	0	0	0	0	(10,508)	967
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	243,501	0	0	0	0	0	0	243,501	0
Derecognition - Disposals	(16)	(326)	(252)	0	0	0	0	(594)	0
Derecognition - Other	0	(1,029)	0	(3)	0	0	0	(1,032)	(990)
Transfers/Reclassifications	0	0	0	0	0	0	0	0	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0	0
Accumulated Depreciation and Impairment 31 March 2011	265,794	46,785	22,418	43,234	260	0	0	378,491	9,411
<b>Net book value 31 March 2011</b>	<b>532,026</b>	<b>932,340</b>	<b>13,555</b>	<b>85,671</b>	<b>3,432</b>	<b>0</b>	<b>43,410</b>	<b>1,610,434</b>	<b>46,468</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 30. PROPERTY, PLANT AND EQUIPMENT (continued)

#### Comparative movement in 2009/10

Net Book Value

at 1 April 2009

Gross Book Value

at 1 April 2009

Additions

Donations

Revaluation increase/(decrease)

recognised in the Revaluation

Reserve

Revaluation increase/(decrease)

recognised in the Surplus/Deficit

on the Provision of Services

Derecognition - Disposals

Derecognition - Other

Assets reclassified (to)/from

held for sale

Transfers/Reclassifications

Other Movements in cost or

valuation

Gross book value

31 March 2010

Accumulated Depreciation

and Impairment at 1 April 2009

Depreciation for year

Depreciation written out to the

Revaluation reserve

Depreciation written out to the

Surplus/Deficit on the

Provision of Services

Impairment Losses/(Reversals)

recognised in the Revaluation

Reserve

Impairment Losses/(Reversals)

recognised in the Surplus/Deficit

on the Provision of Services

Derecognition - Disposals

Derecognition - Other

Transfers/Reclassifications

Other movements in

Depreciation and Impairment

Accumulated Depreciation and

Impairment 31 March 2010

**Net book value**

**31 March 2010**

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infra- structure Assets £000	Community Assets £000	Surplus Assets Held for Sale £000	Assets under Construction £000	Total PPE £000	PFI Assets Included in PPE £000
Net Book Value at 1 April 2009	659,252	933,516	13,484	84,643	3,128	0	10,453	1,704,476	37,768
Gross Book Value at 1 April 2009	669,560	973,561	22,812	108,766	3,130	0	10,453	1,788,282	39,342
Additions	22,345	29,787	7,502	8,743	107	0	8,878	77,362	5,338
Donations	0	0	0	0	0	0	0	0	0
Revaluation increase/(decrease) recognised in the Revaluation Reserve	0	14,016	0	0	0	0	0	14,016	0
Revaluation increase/(decrease) recognised in the Surplus/Deficit on the Provision of Services	(17,315)	(61,127)	0	(488)	(193)	0	0	(79,123)	(7,103)
Derecognition - Disposals	(489)	(22,953)	(133)	0	0	0	0	(23,575)	0
Derecognition - Other	0	0	0	0	0	0	0	0	0
Assets reclassified (to)/from held for sale	0	0	0	0	0	0	0	0	0
Transfers/Reclassifications	0	9,553	0	0	0	0	(9,553)	0	0
Other Movements in cost or valuation	0	0	0	0	0	0	0	0	0
Gross book value 31 March 2010	674,101	942,837	30,181	117,021	3,044	0	9,778	1,776,962	37,577
Accumulated Depreciation and Impairment at 1 April 2009	10,308	40,045	9,328	24,123	2	0	0	83,806	1,574
Depreciation for year	10,938	18,466	6,069	8,134	0	0	0	43,607	3,367
Depreciation written out to the Revaluation reserve	0	(829)	0	0	0	0	0	(829)	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	(10,308)	(14,039)	0	0	0	0	0	(24,347)	(100)
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition - Disposals	(8)	(1,984)	(126)	0	0	0	0	(2,118)	0
Derecognition - Other	0	0	0	0	0	0	0	0	0
Transfers/Reclassifications	0	0	0	0	0	0	0	0	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0	0
Accumulated Depreciation and Impairment 31 March 2010	10,930	41,659	15,271	32,257	2	0	0	100,119	4,841
<b>Net book value 31 March 2010</b>	<b>663,171</b>	<b>901,178</b>	<b>14,910</b>	<b>84,764</b>	<b>3,042</b>	<b>0</b>	<b>9,778</b>	<b>1,676,843</b>	<b>32,736</b>

#### Council Dwellings

Council dwellings are valued at less than market value, as directed by Government. See HRA Note 3 (page 82) for more details.

#### Depreciation

The depreciation policy is set out under the Statement of Accounting Policies And Principles (page 96).



### 30. PROPERTY, PLANT AND EQUIPMENT (continued)

#### EFFECTS OF CHANGES IN ESTIMATES

In 2010/11, the Authority made one material change to its accounting estimates for Property, Plant and Equipment:

There was an alteration to the Adjustment Factor used for the valuation methodology for Council Dwellings. Council Dwellings are valued and included in the annual accounts under the basis of Existing Use Value - Social Housing (EUV-SH). EUV-SH reflects the Existing Use Value (EUV) of Council Dwellings, but is then multiplied by the Adjustment Factor to reflect the EUV-SH. Under the Stock Valuation for Resource Accounting Guidance for Valuers 2010 from Communities and Local Government, the adjustment factor has reduced from 37% to 25%. Therefore, the value of the Council dwellings is their EUV multiplied by 25%. The impact of this has been an impairment of the valuation of Council Dwellings by £254m in 2010/11.

#### REVALUATIONS

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years.

The valuations of land and buildings were undertaken by external valuers - Mouchel. These valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The valuations of Council dwellings were undertaken by external valuers - Lambert Smith Hampton. These valuations were carried out in accordance with the methodologies and bases for estimation set out in:

- (1) the professional standards of the Royal Institution of Chartered Surveyors; and
- (2) the Stock Valuation for Resource Accounting Guidance for Valuers 2010 from Communities and Local Government.

Revaluation of Gross Book Values By Year:

	Operational Assets						Total £000
	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infra- structure Assets £000	Community Assets £000	Surplus Assets held for Disposal £000	
Carried at historical cost	531,524	698,637	35,973	128,904	3,754	0	1,398,792
Valued at fair value at:							
1 April 2010	531,639	125,374	0	0	0	0	657,013
1 April 2009	652,245	199,306	5,365	1,133	0	0	858,049
1 April 2008	645,350	493,005	0	0	0	0	1,138,355
1 April 2007	853,620	2,756	0	0	30	0	856,406
31 March 2007	0	57,680	0	0	470	0	58,150
Total Cost or Valuation	2,682,854	878,121	5,365	1,133	500	0	3,567,973

Revaluation Notes:

- 1) Assets are revalued with an effective date of the first day of the financial year.
- 2) However, the figures are not available for 1 April 2006, therefore the figures used are the revaluations as at 31 March 2007.
- 3) With the exception of council dwellings, where assets have been revalued more than once during the five year rolling programme, only the most recent valuation has been included. Council dwellings are revalued annually, although these figures are not available for 2006/07.

#### CONSTRUCTION CONTRACTS

There were no construction contracts at 31 March 2011.

### 30. PROPERTY, PLANT AND EQUIPMENT (continued)

#### INFORMATION ON ASSETS HELD

Fixed assets owned by the Council include the following:

	<b>Number as at March 2011</b>	<b>Number as at March 2010</b>
<b>COUNCIL DWELLINGS</b>	14,030	14,058
<b>OPERATIONAL BUILDINGS</b>		
Primary schools	79	80
Other operational property	67	77
Social services homes, hostels and day care centres	30	31
Surface car parks	18	20
Libraries (including 1 shared with London Borough of Lambeth)	13	14
Secondary schools	11	12
Sports centres and swimming pools	8	9
Other offices	8	8
Depots	6	8
Special schools	6	6
Pupil Referral Units	7	6
Nursery schools	6	6
Cemeteries (including 1 shared with London Borough of Sutton)	4	4
Halls	3	3
Refuse transfer station	1	1
Multi-storey car park	1	1
Town Hall	1	1
<b>OPERATIONAL EQUIPMENT</b>		
Vehicles and plant	42	52
<b>INFRASTRUCTURE ASSETS</b>		
Highways (kilometres)	726	726
Bridges	76	78
<b>COMMUNITY ASSETS</b>		
Parks and open spaces (hectares)	1,093	1,093
<b>INVESTMENT PROPERTIES</b>	96	127
<b>SURPLUS ASSETS HELD FOR DISPOSAL</b>	0	5

In addition to the above, the Council owns items of civic regalia and several works of art, including the Riesco Collection.

### 31. INVESTMENT PROPERTY

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	<b>2010/11 Total £000</b>	<b>2009/10 Total £000</b>
Rental income from investment property	3,009	2,957
Direct operating expenses arising from investment property	0	0
<b>Net gain/(loss)</b>	<b>3,009</b>	<b>2,957</b>

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal except for the properties in Imperial Way. The properties in Imperial Way were transferred to the London Borough of Croydon (LBC) from the London Borough of Sutton (LBS) due to a boundary change in 1994. Following an application to the High Court by LBS, the High Court decided that Sutton were entitled to all the rental from the rent levels prevailing at the date of the boundary change and half from any subsequent increase. Consequently, LBC's only entitlement from its freehold interest in Imperial Way is one half of the rental produced from any increase in rental subsequent to the boundary change.

The Authority has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

The majority of the investment property income is provided by Whitgift Car Park £2,708k in 2010/11 (£2,656 in 2009/10). This income ceased at the end of financial year 2010/11.

It is not possible to disclose the direct operating expenses arising from investment property, the expenses of property management are not yet separately recorded between property classes.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The following table summarises the movement in the fair value of investment properties over the year:

	2010/11 Total £000	2009/10 Total £000
Balance at start of the year	17,954	18,026
Additions:		
Purchases	0	12
Construction	0	0
Subsequent expenditure	0	0
Disposals	0	0
Net gains/losses from fair value adjustments	(2,551)	(83)
Transfers:		
to/from Inventories	0	0
to/from Property, Plant and Equipment	0	0
Other changes	1	(1)
<b>Balance at end of the year</b>	<b>15,404</b>	<b>17,954</b>

### 32. INTANGIBLE ASSETS

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. Currently this is set at five years for every intangible asset.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £1,579,893.01 was charged to revenue in 2010/11 and absorbed as an overhead across the following service headings in the Net Expenditure of Services:

Department	Amortisation £000
Central Services to the Public	0
Cultural, Environmental, Regulatory and Planning Services	54
Education Services	50
Highways Transport Services	23
Local Authority Housing (HRA)	3
Other Housing Services	0
Social Care	137
Corporate and Democratic Core	1,313
Non-Distributed Costs	0
	<b>1,580</b>

The movement on Intangible Asset balances during the year is as follows:

	2010/11			2009/10		
	Internally Generated Assets £000	Other Assets £000	Total £000	Internally Generated Assets £000	Other Assets £000	Total £000
<b>Balance at start of year:</b>						
Gross carrying amounts	0	6,957	6,957	0	5,475	5,475
Accumulated amortisation	0	(3,383)	(3,383)	0	(2,013)	(2,013)
Net carrying amount at start of year	0	3,574	3,574	0	3,462	3,462
Additions:						
Purchases	0	3,194	3,194	0	1,481	1,481
Other disposals - cost	0	(19)	(19)	0	0	0
Other disposals - amortisation	0	11	11	0	0	0
Amortisation for the period	0	(1,580)	(1,580)	0	(1,369)	(1,369)
Other changes - cost	0	360	360	0	0	0
Other changes - amortisation	0	(360)	(360)	0	0	0
<b>Net carrying amount at end of year</b>	0	5,180	5,180	0	3,574	3,574
Comprising:						
Gross carrying amounts	0	10,492	10,492	0	6,957	6,957
Accumulated amortisation	0	(5,312)	(5,312)	0	(3,383)	(3,383)
	0	5,180	5,180	0	3,574	3,574

There are no intangible assets that are individually material, over £10million gross carrying value, to the financial statements.

### 33. ASSETS HELD FOR SALE

There are currently no assets which meet the held for sale criteria.

The criteria that needs to be met is as follows:

1. The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets
2. The sale must be highly probable; the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated
3. The asset must be actively marketed for a sale at a price that is reasonable in relation to its current fair value
4. The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

### 34. ASSOCIATED COMPANIES

Croydon Council has a 50% equity stake in a limited liability partnership (LLP), Croydon Council Urban Regeneration Vehicle (CCURV LLP). The other 50% equity stake is held by John Laing Projects and Development (Croydon) Limited. CCURV LLP was set up specifically to develop and regenerate a number of sites owned by the Council. Under International Accounting Standard (IAS) 31 CCURV LLP is considered to be a Joint Venture, and consequently Group Accounts have been prepared.

Croydon Council owns a 100% stake in Croydon Care Solutions Limited (CCS). CCS is therefore a subsidiary of Croydon Council. The Company began operations on 8th March and transactions in 2010/11 are not considered material and so are not consolidated in these accounts.

### 35. INVENTORIES

	Consumable Stores		Maintenance Materials		Property Acquired or Constructed for Sale		Total	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
	£000	£000	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	88	161	131	111	0	0	219	272
Purchases	490	145	420	445	0	0	910	590
Recognised as an expense in the year	(279)	(218)	(425)	(425)	0	0	(704)	(643)
Written off balances	0	0	0	0	0	0	0	0
Reversal of write-offs in previous years	0	0	0	0	0	0	0	0
<b>Balance outstanding at year-end</b>	<b>299</b>	<b>88</b>	<b>126</b>	<b>131</b>	<b>0</b>	<b>0</b>	<b>425</b>	<b>219</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 36. RECEIVABLES AND PAYMENTS IN ADVANCE

The amounts receivable at the reporting date are shown in the table below:

	2010/11 Receivables £000	2010/11 PIA £000	2010/11 Total £000	2009/10 £000
Central government bodies	30,912	0	30,912	48,750
Other local authorities	7,893	1	7,894	5,803
NHS bodies	4,001	117	4,118	11,266
Public corporations and trading funds	21	0	21	1,104
Other entities and individuals	94,015	8,462	102,477	97,971
<b>Total</b>	<b>136,842</b>	<b>8,580</b>	<b>145,422</b>	<b>164,894</b>

### NON CURRENT RECEIVABLES

	2010/11 £000	2009/10 £000
Principal outstanding from sales of Council houses	244	291
Loans to employees	993	988
Prepayments in respect of PFI schemes	0	1,883
Loan to Davis House LLP to support the purchase of Davis House	4,283	3,924
Loan to support the construction of the Public Services Delivery Hub	42,235	22,253
Long term liabilities in respect of leases	3,270	5,656
Loans to voluntary organisations	174	276
	<b>51,199</b>	<b>35,271</b>

### RECEIVABLES AND ALLOWANCE FOR RECEIVABLES

	2010/11 Receivables and PIAs £000	2010/11 Allowance for Receivables £000	2009/10 Receivables and PIAs £000	2009/10 Allowance for Receivables £000
<b>Collection Fund</b>				
Council Tax	29,891	(26,298)	31,701	(26,972)
	<b>29,891</b>	<b>(26,298)</b>	<b>31,701</b>	<b>(26,972)</b>
<b>General Fund</b>				
Central government bodies	30,891	0	48,690	0
Other local authorities	7,893	0	5,803	0
NHS bodies	4,001	0	11,266	0
Public corporations and trading funds	21	0	743	0
General Fund rents	2,340	(1,708)	2,131	(1,424)
Housing Benefits overpayments	15,483	(11,924)	12,256	(11,053)
Other entities and individuals	38,973	(11,033)	35,622	(9,638)
Payments in advance	8,580	0	9,644	0
	<b>108,182</b>	<b>(24,665)</b>	<b>126,155</b>	<b>(22,115)</b>
<b>HRA</b>				
Central government bodies	21	0	60	0
Housing Revenue Account rents and service charges	6,188	(3,918)	5,608	(3,646)
Other entities and individuals	1,140	0	1,370	0
	<b>7,349</b>	<b>(3,918)</b>	<b>7,038</b>	<b>(3,646)</b>
<b>Total</b>	<b>145,422</b>	<b>(54,881)</b>	<b>164,894</b>	<b>(52,733)</b>

### 37. PAYABLES AND RECEIPTS IN ADVANCE

	2010/11 Payables £000	2010/11 RIA £000	2010/11 Total £000	2009/10 £000
Central government bodies	(8,834)	(6,999)	(15,833)	(27,209)
Other local authorities	(13,047)	(360)	(13,407)	(3,303)
NHS bodies	(1,506)	(75)	(1,581)	(563)
Public corporations and trading funds	(347)	0	(347)	(476)
Other entities and individuals	(55,167)	(7,345)	(62,512)	(61,508)
<b>Total</b>	<b>(78,901)</b>	<b>(14,779)</b>	<b>(93,680)</b>	<b>(93,059)</b>

Council Tax receipts in advance in 2010/11 was £1.121m (2009/10 £1.440m)

### 38. FINANCIAL INSTRUMENTS

Accounting regulations require the “financial instruments” (investment, lending and borrowing of the Council) shown on the Balance Sheet to be further analysed into various defined categories. The investments, lending and borrowing disclosed in the Balance Sheet are made up of the following categories of “financial instruments”.

#### FINANCIAL INSTRUMENTS BALANCES

##### Borrowings

Financial liabilities at amortised cost	
Financial liabilities at fair value through profit and loss	
Fair value through profit or loss	
Other borrowing (finance lease & PFI)	
<b>Total borrowings</b>	
Financial liabilities at amortised cost	
Financial liabilities carried at contract amount	
<b>Total Payables</b>	
Financial liabilities at amortised cost - Cash and cash equivalents	

Non Current		Current	
31 March 2011	31 March 2010	31 March 2011	31 March 2010
£000	£000	£000	£000
256,117	166,117	73,400	114,468
0	0	0	0
0	41	0	0
42,365	32,185	2,252	1,612
298,482	198,343	75,652	116,080
0	0	0	0
0	0	78,901	74,783
0	0	78,901	74,783
0	0	11,800	29,960

##### Investments

Loans and receivables	
Available-for-sale financial assets	
Fair value through profit and loss	
Unquoted equity available for sale	
<b>Total Investments</b>	
Loans and receivables	
Financial assets carried at contract amounts	
<b>Total Receivables</b>	
Loans and receivables - Cash and cash equivalents	

Non Current		Current	
31 March 2011	31 March 2010	31 March 2011	31 March 2010
£000	£000	£000	£000
0	0	128,848	98,909
0	0	0	345
0	0	0	0
11,907	9,986	0	0
11,907	9,986	128,848	99,254
47,511	29,048	0	0
0	0	136,803	155,250
47,511	29,048	136,803	155,250
0	0	-	19,667

##### Notes

1. Financial liabilities at amortised costs: Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

2. All operational payables and receivables are due for settlement within one year. Receivables and payables falling within this definition are disclosed elsewhere in the balance sheet.

3. Total PFI & finance lease liabilities has increased to £44.396m (£33.573m 2009/10).

4. Investments in CCURV LLP of £11.907m (£9.986m in 2009/10) are included within the unquoted equity Available-for-sale financial assets. The nature of the investment cannot be deemed as a loan and receivable or fair value through profit or loss financial asset therefore the default category for this investment is as a available for sale asset.

5. A net loss of £0.041m as at 31 March 2010 derived from a treasury transaction involving a forward agreed loan which was included within the Fair value through Profit and Loss assets was written back to revenue in 2010/11 in accordance with the CIPFA Code of Practice on Local Authority Accounting which now includes an exclusion cause in Chapter 7 for loan commitments that cannot be settled net.

##### Financial Instruments - Gains / Losses

	Financial Liabilities		Financial Assets		2010/11
	Liabilities Measured at Amortised Cost	Loans and Receivables	Available -for-sale Assets	Fair Value Through P&L	
	£000	£000	£000	£000	Total £000
Interest expense	13,452	0	0	0	13,452
Losses on derecognition	0	0	0	0	0
Impairment losses	0	0	181	0	181
<b>Interest payable and similar charges</b>	13,452	0	181	0	13,633
Interest income	0	5,899	0	0	5,899
Gains on derecognition	0	0	0	41	41
<b>Interest and investment income</b>	0	5,899	0	41	5,940

The authority derecognised the available for sale investment in London Authorities Mutual Limited (£0.345m) due to the company ceasing trading as a result of an "Ultra Vires" court ruling. Subsequently on derecognition an impairment loss of £0.181m was recognised in the comprehensive income and expenditure statement.

### 38. FINANCIAL INSTRUMENTS (continued)

#### FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

The fair value of each class of financial assets and liabilities which are carried in the Balance Sheet at amortised cost is disclosed below.

#### Methods and Assumptions in valuation technique

The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms.

The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the new borrowing rate since premature repayment rates include a margin which represents the lender's profit as a result of rescheduling the loan; this is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

The rates quoted in this valuation were obtained by the Council's Treasury Management consultants, Sector, from the Money Markets on 31 March, using bid prices where applicable. The calculations are made with the following assumptions:

- For Public Works Loans Board (PWLB) debt, the discount rate used is the rate for new borrowing as per the rate sheet in force on 31 March.
- For other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender.
- No early repayment or impairment is recognised.
- Fair value calculations have been done for all instruments in the portfolio, but only those which are materially different from the carrying value have been disclosed.
- The fair value of trade and other receivables or instruments with a maturity of less than 12 months is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

#### FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

	<b>31 March 2011</b>		<b>31 March 2010</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
PWLB - maturity	268,665	238,717	155,800	156,882
Lender Option Borrower Options (LOBOs)	60,511	68,329	10,000	11,457
Stock issues	319	253	317	320
Bank overdraft	11,800	11,800	29,960	29,960
Other borrowings	21	20	114,467	122,034
Non Current payables	0	0	0	0
<b>Financial Liabilities</b>	<b>341,316</b>	<b>319,119</b>	<b>310,544</b>	<b>320,653</b>

Fair value is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest below current market rates reduces the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

#### FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

	<b>31 March 2011</b>		<b>31 March 2010</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash	0	0	0	0
Money Market Loans	3,001	3,001	19,667	19,667
Short term deposits with banks and other Local Authorities	128,848	128,922	98,909	100,848
Long term receivables	47,511	47,511	29,048	29,048
<b>Financial Assets</b>	<b>179,360</b>	<b>179,434</b>	<b>147,624</b>	<b>149,563</b>

The fair value is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate investments where the interest rate receivable is lower than the rates available for similar investments at the Balance Sheet date.

Short term receivables and payables are carried at cost as this is a fair approximation of their value.



### **38. FINANCIAL INSTRUMENTS (continued)**

#### **NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 1 March 2010 and is available on the Council's website. The key issues within the strategy were:

1. The Authorised Borrowing Limit for 2010/11 was set at £389.617m. This is the maximum limit of external borrowings or other long term liabilities.
2. The Operational Boundary was expected to be £349.617m. This is the expected level of debt and other long term liabilities during the year.
3. The maximum amounts of fixed and variable interest rate exposure were set at £349.617m and £40.0m based on the Council's net debt.
4. The maximum and minimum exposures to the maturity structure of debt are shown at Note 42.3.

These policies are implemented by the Council's treasury team. The Council maintains written policies for overall risk management, as well as written policies (Treasury Management Policies - TMPs) covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

#### **Credit Risk**

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties.

#### **CREDIT RISK**

	<b>Amounts at 31 March 2011 £000</b>	<b>Historical Experience of Default %</b>	<b>Estimated Maximum Exposure to Default £000</b>
Deposits with banks and other financial institutions	131,849	nil	0
Bonds and other securities	0	nil	0
Customers	0	nil	0
<b>Total</b>	<b>131,849</b>	<b>nil</b>	<b>0</b>

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

#### **Liquidity Risk**

The Council has access to a facility to borrow from the Public Works Loans Board (PWLb). As a result there is no significant risk the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that not more than 15% of loans are due to mature within any financial year through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

All sums owing (£131.849m) excluding amounts due from customers and the CCURV investment are due to be paid in less than one year.



### 38. FINANCIAL INSTRUMENTS (continued)

#### Refinancing and Maturity Risk

The maturity structure of financial liabilities is as follows (at nominal value):

	At 31 March 2011 £000	At 31 March 2010 £000
<b>Loans outstanding:</b>		
PWLB	265,800	155,800
Market debt / LOBOs	60,000	60,000
Temporary borrowing	0	62,600
Local bonds	317	317
Deferred purchase	0	0
Other	20	20
<b>Total</b>	<b>326,137</b>	<b>278,737</b>
Less than 1 year	70,020	112,620
Between 1 and 2 years	4,000	20,000
Between 2 and 5 years	0	4,000
Between 5 and 10 years	12,000	12,000
More than 10 years	240,117	130,117
<b>Total</b>	<b>326,137</b>	<b>278,737</b>

#### Interest Rate Risk

The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the affect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the authority is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Comprehensive Income and Expenditure Statement.
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Comprehensive Income and Expenditure Statement.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure notes for fair value.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

The Council has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget. This allows any adverse changes to be accommodated. The strategy will also advise on whether new borrowing taken out is to be at fixed or variable interest rates.

According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher, the financial effect would be:

	At 31 March 2011 £000	At 31 March 2010 £000
Increase in interest payable on variable rate borrowings	500	300
Increase in interest receivable on variable rate investments	(1,593)	(1,395)
Increase in government grant receivable for financing costs	0	0
<b>Impact on Comprehensive Income and Expenditure Statement</b>	<b>(1,093)</b>	<b>(1,095)</b>
<b>Share of overall impact debited to the HRA</b>	<b>128</b>	<b>85</b>
Decrease in fair value of 'available for sale' investment assets	0	0
<b>Impact on CI&amp;E or Movement in Reserves Statement</b>	<b>128</b>	<b>85</b>
Decrease in fair value of fixed rate borrowing liabilities	(42,222)	(31,621)
<b>Impact on CI&amp;E or Movement in Reserves Statement</b>	<b>(42,222)</b>	<b>(31,621)</b>

#### Price Risk

The Council, excluding the pension fund, does not invest in equity shares or marketable bonds.

#### Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates.

### 39. PROVISIONS

	Short-term Accumulating Compensated Absences £000	CCURV A Loan £000	Insurance £000	Other Provisions £000	Total £000
Balance at 1 April 2010	(5,447)	(9,986)	(7,842)	(292)	(23,568)
Additional provisions made in 2010/11	(5,403)	(1,920)	(2,704)	0	(10,027)
Amounts used in 2010/11	5,447	0	2,426	15	7,888
Unused amounts reversed in 2010/11	0	0	0	0	0
Unwinding of discounting in 2010/11	0	0	0	0	0
<b>Balance at 31 March 2011</b>	<b>(5,403)</b>	<b>(11,906)</b>	<b>(8,120)</b>	<b>(277)</b>	<b>(25,707)</b>

#### Short-term Accumulating Compensated Absences

Short term accumulated compensated absences (STACA) are absences that can be carried forward and used in a future period. Common examples are holiday entitlement, flexi-leave and time off in lieu. Because the value of a person's work has been received in one period but will not be compensated for until another period it is appropriate to treat in the same way as any value (e.g. goods received), that is received in one period but not compensated until a future period. Consequently, an accrual is required for all compensated absences.

To apply the mitigation the General Fund is credited with the total amount that was charged to the Comprehensive Income and Expenditure Statement and this is transferred to an unusable reserve the Provision for Accumulating Absences.

#### CCURV Land Pledge

The Council has pledged parcels of its estate to Croydon Council Urban Regeneration Vehicle Limited Liability Partnership (CCURV LLP). This pledge represents its investment in CCURV LLP for which it holds an asset on the Balance Sheet (see notes to the group accounts and investment note 38, page 53).

#### Insurance Provision

In line with most other Local Authorities, the Council aims to be self-insuring (ie meeting claims out of our own funds) for all but catastrophe risks for which cover is purchased on the external insurance market.

To this end, an insurance fund is maintained in order to underwrite a substantial proportion of the Council's insurable risks including damage to Council and school property and contents, consequential loss, theft, civic regalia, motor accidents and liability claims made by members of the public, customers or employees of the Council. The fund covers claims up to our excess of £250,000 (£125,000 for motor vehicles), with a maximum yearly exposure to £1.25 million on property and £1.25 million on liability. Premiums are paid into the fund by the Council service centres, with them being based on commercial rates. By utilising an insurance fund, external insurance premiums are kept to a minimum.

The self insurance fund is reviewed on an annual basis to ensure that it has sufficient balances to cover existing and potential future claims. The Insurance team also work closely with the Risk Management section to identify and manage risks in order to further reduce the likelihood of claims.

In addition, the Council is a founder member of the Insurance London Consortium, a group of 8 London Boroughs working to a shared agenda. Through the sharing of risk management information and associated policies and procedures, the Consortium is creating best practice in this area. As a result, we have experienced increased competitiveness with regards to our external insurance premiums.

#### Other Provisions

Other provisions are shown under this heading. No individual provision in this category exceeds £0.5m.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 40. TRANSFERS TO / FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/11.

	Balance at 1 April 2009 £000	Transfers Out 2009/10 £000	Transfers In 2009/10 £000	Balance at 31 March 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011 £000
<b>General Fund:</b>							
Balances held by schools under a scheme							
scheme of delegation	15,462	(6,002)	5,456	14,916	(4,052)	7,901	18,765
Building Schools for the Future Reserve	1,625	(656)	726	1,695	(1,695)	0	0
CCURV Reserve	601	(601)	0	0	0	0	0
Parks and Sports Improvements Reserve	750	(181)	0	569	(243)	0	326
ICT Strategic Improvements Reserve	1,000	(60)	0	940	(120)	680	1,500
Park Place Reserve	1,000	(52)	0	948	(631)	0	317
Restructure Reserve	1,000	(200)	0	800	0	65	865
RELEASE Reserve 2008/09	1,748	(1,503)	0	245	(245)	0	0
RELEASE Reserve 2009/10	1,505	0	58	1,563	(676)	28	915
Recession Impact Reserve	2,440	(873)	205	1,772	0	228	2,000
Interest Rate Risk Reserve	2,950	0	0	2,950	(1,082)	573	2,441
PAYE Reserve	750	0	0	750	0	0	750
Taxation Reserve	666	(80)	0	586	0	0	586
Litigation Reserve	1,333	(126)	0	1,207	(83)	0	1,124
Housing Benefits Reserve	2,300	(479)	0	1,821	0	223	2,044
LEGI Grant Reserve	935	0	604	1,539	0	1,020	2,559
CapGemini Telephony Reserve	1,674	(1,674)	0	0	0	0	0
Local Elections Reserve	587	0	63	650	(152)	0	498
STEP Change Reserve	0	0	4,114	4,114	(1,875)	974	3,213
LAA (LPSA Reward Grant - Revenue)	0	(87)	1,535	1,448	(351)	0	1,097
LAA (LPSA Reward Grant - Capital)	0	0	1,535	1,535	0	123	1,658
CCURV Affordability	359	0	4,082	4,441	0	3,263	7,704
Minimum Revenue Provision	0	0	711	711	(711)	0	0
Social Care Reform Grant	0	0	542	542	0	251	793
School Improvement Partners - Special							
Schools	0	0	742	742	(742)	0	0
Financial Risk Reserve	0	0	0	0	(243)	2,291	2,048
Other Reserves	2,418	(1,699)	5,711	6,430	(4,539)	4,245	6,136
<b>Total</b>	<b>41,103</b>	<b>(14,273)</b>	<b>26,084</b>	<b>52,914</b>	<b>(17,440)</b>	<b>21,865</b>	<b>57,339</b>
<b>HRA:</b>							
Housing Repairs Account	(2,936)	0	(745)	(3,681)	0	(1,256)	(4,937)
Working Balance	(800)	0	0	(800)	0	(400)	(1,200)
<b>Total</b>	<b>(3,736)</b>	<b>0</b>	<b>(745)</b>	<b>(4,481)</b>	<b>0</b>	<b>(1,656)</b>	<b>(6,137)</b>

## 41. USABLE RESERVES

### 41.1 Capital Receipts Reserve

This represents receipts from the sale of land and other assets (net of the administrative costs of Right to Buy sales). Under the Local Government Act 2003 when the disposal relates to an HRA property, 75% of the proceeds of HRA dwellings and 50% of HRA land are transferred from the Usable Capital Receipts Reserve to the General Fund balance to compensate for the equivalent amount transferred to Government for inclusion in the national redistribution pool. The remaining balance is either used for the repayment of external loans, or transferred to the Capital Adjustment Account to finance capital expenditure. If there is a balance at year end it is included in the Balance Sheet as Usable Capital Receipts.

	General Fund £000	Housing Revenue Account £000	2010/11 Total £000	2009/10 Total £000
Balance brought forward	8,922	206	9,128	11,632
Mortgage repayments	4	43	47	69
Other capital receipts	0	465	465	132
Net surplus for year	4	509	513	201
Receipts from sales of assets during the year	115	2,119	2,234	1,327
Lessor Leases - Regulation 4 mitigation	(8,900)	0	(8,900)	-
Cost of disposals	(4)	(8)	(12)	(2)
Transfer to Housing Capital Receipts Pool	0	(1,141)	(1,141)	(613)
Balance of receipts after transfer	(8,789)	970	(7,819)	712
Balance on account before application of receipts	137	1,684	1,821	12,545
Financing of capital expenditure	(5)	(1,684)	(1,689)	(3,417)
<b>Balance carried forward</b>	<b>132</b>	<b>0</b>	<b>132</b>	<b>9,128</b>

### 41.2 Major Repairs Reserve

The Major Repairs Reserve (MRR) records the unspent balance of HRA subsidy paid to the Authority in the form of the Major Repairs Allowance. The Major Repairs Allowance represents the estimated average annual cost of maintaining the condition of the Council's housing stock over a 30-year period, based on the Authority's mix of dwelling archetypes.

	2010/11 £000	2009/10 £000
Balance brought forward	0	0
Major Repairs Allowance for the year	11,856	10,987
Transfer to finance capital expenditure during the year	(11,380)	(10,937)
Other reserve adjustments	(476)	(50)
<b>Balance carried forward</b>	<b>0</b>	<b>0</b>

### 41.3 General Fund

Please consult the Comprehensive Income and Expenditure Statement on page 17 for the calculation of the balance.

### 41.4 Housing Revenue Account

Please consult the HRA Comprehensive Income and Expenditure Statement on page 80 for the calculation of the balance.

### 41.5 Other Reserves

The Council keeps a number of reserves on the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans.

## **41. USABLE RESERVES (continued)**

### **41.6 Earmarked Reserves**

The Council has established various reserves for specific purposes. The amounts, purposes and objectives of these reserves are summarised below:

#### **Parks and Sports Improvements Reserve**

To support the major improvements of Croydon's parks.

#### **ICT Strategic Improvements Reserve**

To improve ICT infrastructure improving operational efficiency and service support.

#### **Park Place Reserve**

To provide for risks associated with the planned redevelopment of Park Place that did not proceed.

#### **Restructure Reserve**

To ensure the successful implementation of a reorganisational restructure.

### **RELEASE Reserve 2009/10**

The RELEASE programme was established to enable the council to become more efficient and provide better Value for Money. This programme has been superseded by the STEP change programme, however a small number of initiatives are still ongoing.

### **Recession Impact Reserve**

The Council, along with the rest of the world, faces difficult times during the current economic climate. Consequently this sum has been put by to act as a contingency.

### **Interest Rate Risk Reserve**

The Council has a complex and high value cash flow that requires expert management to achieve value for money. Recent volatility in the money markets could pose a threat to the Council and so this reserve has been established to protect against the economic climate.

### **PAYE Reserve**

The reserve has been created to allow for issues arising from reviews carried out by HM Revenues and Customs on Pay As You Earn (PAYE) taxation.

### **Taxation Reserve**

This reserve is maintained to allow for any issues arising from tax audits, in particular VAT.

### **Litigation Reserve**

The Authority has created this reserve to counter any future litigation.

### **Housing Benefits Reserve**

This reserve is maintained to allow for any changes to the Housing Subsidy claim as a result of a review of the Housing Benefit claims for 2007/08 and beyond.

### **LEGI Grant Reserve**

This represents the unspent Local Enterprise Growth Initiative (LEGI) grant to enable the completion of the programmes.

### **Local Elections Reserve**

This reserve is used to anticipate and smooth the costs of running the local elections in the Borough.

### **STEP Change Reserve**

Step Change Croydon will focus on the delivery of an organisation wide "One Council" transformation programme to deliver the efficiencies and improvements required to balance the budgetary gap. This reserve will provide the funding of projects in the programme to make the necessary changes and efficiencies to deliver those savings.

### **LAA (LPSA Reward Grant - Revenue)**

A Local Public Service Agreement (LPSA) was an agreement between an individual local authority and the Government. Each authority negotiated with Government a dozen or so specific 'stretch' targets, typically to be attained over a three year period, which represented performance over and above what the authority would be expected to achieve without the LPSA. Attainment of these targets for Croydon was rewarded with a performance reward grant payable in two instalments in March 2010 and March 2011. This grant will fund projects to improve customer satisfaction and value for money

### **LAA (LPSA Reward Grant - Capital)**

This forms part of the LPSA reward grant (as above) but is specifically funding capital projects that will improve customer satisfaction and value for money.

**41. USABLE RESERVES (continued)****41.6 Earmarked Reserves (continued)****CCURV Affordability**

The Council is assessing the affordability of the Public Service Delivery Hub (PSDH) scheme over the life of the building and want to bear the cost and recognise the income over this life. This reserve is used to transfer income receivable and costs during the construction period which will then be released over the life of the PSDH (see Notes to the Group Accounts).

**Social Care Reform Reserve**

This reserve is held to enable the implementation of the national personalisation programme.

**Financial Risk Reserve**

This reserve is held to cover the financial risks the Council faces from the economy and the reduction in funds available.

**School Balances**

School reserves have increased by £3.849m to £18.765m. The Schools Forum has issued guidance on the level of balances that should be held by schools, advising a maximum 6% of budget for Primary, Nursery and Special Schools and 4% for Secondary Schools budget.

The increase in reserves is largely due to the uncertainty surrounding future schools funding. The minimum funding guarantee was a reduction of 1.5% for 2011/12 and many schools were cautious with in year expenditure building reserves for anticipated future year's pressure. There are 17 schools that have a revenue deficit. The Council is working with these schools to ensure that they return to a balanced position.

**Other Reserves**

Other reserves are shown under this heading. No individual reserve in this category exceeds £0.5m.

## 42. UNUSABLE RESERVES

### 42.1 Revaluation Reserve

This reserve holds the gains on upward revaluation of Non Current Assets. Any upward valuation in 2010/11 is added to the reserve, and any loss is first charged to the Revaluation Reserve, where applicable. The remainder is charged to the Comprehensive Income and Expenditure Statement.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2010/11 £000	2009/10 £000	2009/10 £000
<b>Balance at 1 April</b>	219,441		204,940
The difference in depreciation arising from a revaluation gain and the depreciation charged on the historic cost	(954)		(344)
IFRS revaluation upward		47,222	
Original SORP revaluations upward		(27,875)	
IFRS adjustment (written out to Capital Adjustment Account)			19,347
IFRS adjusted revaluations upward	31,141		
IFRS Revaluation Downward		(4,886)	
Original SORP revaluations downward		384	
IFRS adjustment (written out to Capital Adjustment Account)			(4,502)
IFRS adjusted revaluations downward	(5,421)		
Accumulated gain or loss on assets sold or scrapped	(4,036)		-
<b>Balance at 31 March</b>	<b>240,171</b>		<b>219,441</b>

### 42.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 28 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2010/11 £000	2009/10 £000
<b>Balance at 1 April</b>	(1,199,117)	(1,276,582)
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Charges for depreciation and impairment of non-current assets	281,132	32,276
Revaluation losses on Property, Plant and Equipment	21,242	63,125
Impairment/revaluation gains reversing losses previously charged to Comprehensive Expenditure and Income	(112,207)	0
Amortisation of intangible assets	1,588	1,370
Revenue expenditure funded from capital under statute	17,319	3,454
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	13,693	21,456
	222,767	121,681
Adjusting amounts written out of the Revaluation Reserve	(4,990)	1,214
Net written out amount of the cost of non-current assets consumed in the year	217,777	122,895
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,689)	(3,417)
Use of the Major Repairs Reserve to finance new capital expenditure	(11,380)	(10,937)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(49,243)	(23,234)
Application of grants to capital financing from the Capital Grants Unapplied Account	(574)	0
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(8,771)	(5,975)
Capital expenditure charged against the General Fund and HRA balances	(17,122)	(5,678)
	(88,779)	
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	2,551	(9,481)
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0	0
Lessor Leases - Regulation 4 Mitigation	(6,555)	2,307
Major repairs reserve funding	11,856	10,987
Other movements	0	(2)
<b>Balance at 31 March</b>	<b>(1,062,267)</b>	<b>(1,199,117)</b>



## 42. UNUSABLE RESERVES (continued)

### 42.2 Capital Adjustment Account (continued)

#### Lessor Leases - Regulation 4 Mitigation

The effect of converting an operating lease to a finance lease means that some of what was accounted for as revenue would now become a capital receipt, as it pays off the receivable. However, mitigation for circumstances such as this is provided by a statutory instrument; Local Authorities (Capital and Finance Accounting) (England) (Amendment) Regulations 2010. The regulation requires receipts which have previously been accounted for as revenue to continue to be accounted for as revenue for the duration of the agreement. This is achieved by an entry in the Movement In Reserves Statement that re-instates to the General Fund that element of the receipt treated as capital; the Capital Adjustment Account is the opposing entry.

### 42.3 Financial Instruments Adjustment Account

This reserve allows for the differences in statutory requirements and proper accounting practices for borrowings and investments.

The Balance Sheet at 31 March 2011 shows a balance of £3.5m (£4.1m in 2009/10) representing the remaining premiums paid in respect of debt restructuring exercises carried out in 2003/04 and 2009/10. This balance is made up of General Fund (GF) & Housing Revenue Account (HRA) provisions which will be written down in accordance with the guidance which was in force at the time that the debt was repaid.

#### Balance at 1 April

Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement

Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements

Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements

#### Balance at 31 March

2010/11 £000	2009/10 £000
(4,120)	(1,534)
41	(3,279)
574	693
615	(2,586)
(3,505)	(4,120)

### 42.4 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

#### Balance at 1 April

Actuarial gains or losses on pensions assets and liabilities

Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement

Employer's pensions contributions and direct payments to pensioners payable in the year

#### Balance at 31 March

2010/11 £000	2009/10 £000
(516,788)	(388,006)
132,846	(111,140)
6,126	(47,760)
32,375	30,118
(345,441)	(516,788)

### 42.5 Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

#### Balance at 1 April

Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement

Transfer to the Capital Receipts Reserve upon receipt of cash

#### Balance at 31 March

2010/11 £000	2009/10 £000
291	360
0	0
(47)	(69)
244	291



## 42. UNUSABLE RESERVES (continued)

### 42.6 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2010/11 £000	2009/10 £000
Balance at 1 April	0	0
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	3,237	0
<b>Balance at 31 March</b>	<b>3,237</b>	<b>0</b>

### 42.7 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2010/11 £000	2010/11 £000	2009/10 £000
Balance at 1 April		5,447	5,791
Settlement or cancellation of accrual made at the end of the preceding year	(5,447)		(5,791)
Amount accrued at the end of the current year	5,403		5,447
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(44)	(344)
<b>Balance at 31 March</b>		<b>5,403</b>	<b>5,447</b>

#### **43. DATE OF ACCOUNTS BEING AUTHORISED FOR ISSUE AND BY WHOM**

This Statement of Accounts was issued on 30 June 2011 by Nathan Elvery, Deputy Chief Executive and Executive Director of Corporate Resources and Customer Services.

#### **44. EVENTS AFTER THE BALANCE SHEET DATE**

There were no material post balance sheet events.

#### **45. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

The Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are as follows:

There is a high level of uncertainty about future levels of funding for local government; the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

The Council has three PFI contracts which are assessed under IFRIC 12 details of which can be found in Note 6.

The Authority has reviewed all leases as required under the adoption of IFRS, details can be found in Note 29.

#### **46.1 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

##### **Pension Fund Net Liability**

The liabilities of the Pension Fund scheme attributable to the London Borough of Croydon are included in the balance sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees.

Liabilities are discounted to their present value, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bonds).

The difference between the two, the net liability, is a notional figure; the result of applying the measurement rules within IAS19. Their purpose is to provide a consistent framework of measurement for all pension funds to facilitate comparability. The result from the measurement rules would only become a reality if a pension fund invested all its funds in high quality corporate bonds. This is not the case, pension funds invest in a wide portfolio of assets utilising the skills of professional fund managers with the objective of securing a return sufficient to meet the obligations of the fund as they fall due.

##### **Property, Plant and Equipment**

Property Plant and Equipment is held on the balance sheet at net book value. These assets are depreciated according to the depreciation policy set by the Council, as detailed in the Accounting Policies and Principles section of this Statement of Accounts. The useful economic life of all assets are reviewed annually to ensure that the assets are held on the balance sheet accurately. This process along with the 5 year rolling valuation is undertaken to minimise the risk of assets being held at a value that is either too low or high. There is a level of uncertainty around estimating the useful economic life of assets but it is anticipated that the annual reviews and the recently adopted Capital Strategy that sets out our vision for investment in our assets minimises this uncertainty.

#### **46.2 MATERIAL ITEMS OF INCOME AND EXPENSE**

There are no materials items of income and expenditure not disclosed in the Comprehensive Income and Expenditure Statement.

#### **46.3 ACCOUNTING STANDARDS ISSUED NOT ADOPTED**

##### **Heritage Assets**

They are assets preserved in trust for future generations because of their cultural, environmental or historic associations. Assets within this category are preserved by the authority principally for their contribution towards knowledge and culture. Assets classified as heritage assets are not used by the authority in its normal course of business.

Heritage assets will be recognised as a separate class of assets for the first time in 2011/12 financial statements in accordance with Financial Reporting Standard 30 (FRS30). Disclosure will be required in the 2011/12 financial statements of the carrying amount of Heritage Assets. During 2011/12 the necessary valuations will be undertaken to achieve the disclosure requirements. Heritage Assets are not at present carried within the authority's financial statements and will be introduced in the 2011/12 financial statements.

Please note FRS30 is a UK Generally Accepted Accounting Practice (UK GAAP) Standard: although the authority has moved to International Financial Reporting Standards (IFRS), in those instances where IFRS is silent, local standards are applicable.

**46.3 HERITAGE ASSETS (continued)****The Collections****The Riesco Collection**

233 individual objects are on display in the Riesco Gallery in Croydon Clocktower. The collection was valued by Bonhams in June 2010 at mid auction estimate; their valuation was £10.2m. Individual objects in the collection ranged in value from £50 to £2,000,000.

**Croydon Art Collection**

Approximately 2,500 framed and unframed artworks are held in the secure Museum Store at Croydon Clocktower. No recent valuation is available for the entire collection. However a valuation of 22 selected works was conducted in October 2009 when they were placed on display. They were valued at £162k, with valuations ranging from £100 to £40,000.

**Artwork in Public Buildings**

There are a number of works of art displayed in the Town Hall and other council buildings. At present there is neither an inventory or a valuation for this collection.

**Other Museum Collections**

The collections in store, which are owned by the Borough, are of low financial value and form part of the collections on display due to their cultural value.

**The Borough Archive**

This is an irreplaceable historical and cultural asset that due to its unique nature would be very difficult to value.

**Heritage Policy**

Separate policy documents exist for the museum collections and the archive collections outlining their respective collecting remits: The Museum Service's '*Acquisitions & Disposals Policy*' is the key document for the museum (object) collections. This document is required for the authority's Museum Accreditation standard and is approved by Cabinet. The policy outlines the collections the authority holds, which collections are closed and open and the criteria for acquiring and disposing of objects. The Acquisitions and Disposal Policy was approved by Cabinet on 15 October 2007 and will be re-submitted for their approval in autumn / winter 2011, when the authority's status as an Accredited Museum will be reviewed by the Museums, Libraries and Archives Council (MLA) and the Arts Council England (ACE). (n.b. these bodies are due to merge in the summer of 2011 as part of the national re-organisation of governance)

**Access Policy**

In terms of an Access Policy, there is at present no single document, although the authority clearly communicates to customers how they can access the collections. In practice there are three ways of accessing the collections:

1. Visiting public spaces: the Museum of Croydon, Riesco Gallery and the Local Studies Library & Archives (LSL&A), all at the Croydon Clocktower;
2. By prior appointment for collections held in store: including the Borough Archive, Croydon Art Collection, Oral History Collection and pre-1800 social-history collection;
3. Through the website: [www.museumofcroydon.com](http://www.museumofcroydon.com) provides virtual access to the collections on display in the Museum of Croydon gallery, although it should be noted that many of the items on display in this gallery are on loan from other institutions and individual donors and therefore are not formally owned by the Borough.

Opening hours for the museum's galleries and LSL&A and access arrangements for viewing the stored collections are advertised through [www.museumofcroydon.com](http://www.museumofcroydon.com); the Council website and hard copy promotional material.

**47. IMPAIRMENT LOSSES**

It is a requirement of the Code of Practice on Local Authority Accounting 2010/11 that impairment losses and reversals are disclosed by class of asset. The only asset class incurring an impairment loss during the current and previous financial years were the Housing Revenue Account council dwellings.

In respect of the Housing Revenue Account property assets, impairment occurs where there is a reduction in Existing Use Value - Social Housing (EUV-SH). As part of the Communities and Local Government (CLG) guidance for 2010/11 (Stock Valuation for Resource Accounting, Guidance for Valuers 2010) the percentage used for EUV-SH was changed from 37% to 25%. This reduction has been accounted for as an impairment, with a value of £254m.

**48. CAPITALISATION OF BORROWING COST**

No borrowing costs were capitalised during 2010/11.

#### **49. TERMINATION COST**

Termination benefits are payable as a result of either:

- a) an employer's decision to terminate an employee's employment before the normal retirement date, or
- b) an employee's decision to accept voluntary redundancy in exchange for those benefits.

Voluntary early retirement under scheme rules is not a termination benefit since such benefit is a right of all scheme members. They are post-employment benefits rather than termination benefits and are accounted for as such.

Termination benefits are often lump-sum payments, but also include:

- a) enhancement of retirement benefits; and
- b) salary until the end of a specified notice period if the employee renders no further service that provides economic benefit to the entity.

Termination benefits are recognised as a liability and an expense when, and only when, the council is demonstrably committed to either:

- a) terminate the employment of an employee or group of employees before the normal retirement date; or
- b) provide termination benefits as a result of an offer made in order to encourage voluntary termination of employment.

As termination benefits do not provide the authority with future economic benefits or service potential they are always immediately posted as an expense in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement when the liability is recognised. The anticipated future savings expected to arise for the authority as a result of a termination do not provide an accounting justification for spreading the expense across future years.

During the financial year 2010/11 the council requested volunteers for early termination of employment. In total 125 applications for early termination were accepted. Of those applying 82 were over 55 and also received early retirement benefits. The termination benefits were as follows:

	Number	Redundancy £000	Retirement £000
Termination benefit for those over 55 and also receiving early retirement benefits	82	1,232	1,512
Termination benefit for all others	43	294	0
<b>Total</b>	<b>125</b>	<b>1,526</b>	<b>1,512</b>

Other terminations of employment occurred during the financial year. In total 129 employees had their employment terminated. Of these 25 were over 55 and members of the pension fund. The termination benefits were as follows:

	Number	Redundancy £000	Retirement £000
Termination benefit for those over 55 and also receiving early retirement benefits *	25	224	691
Termination benefit for all others	104	872	0
<b>Total</b>	<b>129</b>	<b>1,096</b>	<b>691</b>

\* The redundancy pay for 12 of these people was paid other than in 2010/11 because of the date of their departure, as a consequence it is not included in the above amount which discloses the actual amount paid in 2010/11.

#### **50. DEFINED BENEFIT PENSIONS**

##### **Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers, the authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

**50. DEFINED BENEFIT PENSIONS (continued)****The authority participates in two post employment schemes**

The Local Government Pension Scheme administered by the London Borough of Croydon. This is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund calculated at a level intended to balance the pensions liabilities with investment assets.

The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education, provides retirement benefits for Teachers. Although it is a defined benefits scheme, the arrangements for the teachers' scheme mean that liabilities for the benefits cannot be identified to the Council. The scheme is therefore accounted for as if it was a defined contributions scheme - no liability for future payments of benefits is recognised in the Council's balance sheet. The Children, Young People and Learners revenue account is charged with the employer's contributions payable to the teachers' pension scheme during the year.

In 2010/11, the Council paid £13.8m (2009/10 £13.7m) to Capita Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% (2009/10 14.1%) of pensionable pay.

**Transactions Relating to Post Employment Benefits**

The authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge the authority is required to make against council tax is based on the cash payable in the year, consequently, the real cost of post employment benefits is reversed out of the General Fund via the Movement in Reserves Statement. The transactions that have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year are detailed in a separate IAS19 section of these statements. (International Accounting Standard 19).

**50.1 PENSIONS INTEREST COST AND EXPECTED RETURN ON PENSIONS ASSETS****Pensions Interest Cost**

It is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement. The amount is debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

**Expected Return on Pensions Assets**

The expected return on assets is based on long-term expectations at the beginning of the period and is expected to be reasonably stable.

For quoted corporate or Government bonds, the expected return is calculated by applying the current redemption yield at the beginning of the period to the market value of the bonds held by the scheme at the beginning of the period.

For quoted fixed and index-linked securities, the expected return can be observed from the market.

For other assets (e.g. equities), the expected return is calculated by applying the rate of return expected over the long term at the beginning of the period, given the value of the assets at that date, to the fair value of the assets held by the scheme at the beginning of the period. The rate of return expected over the long term will vary according to market conditions, but it is expected that the amount of the return will be reasonably stable. The expected rate of return is set by the Authority after taking actuarial advice from Mercer Human Resource Consulting.

Additionally the expected return on assets reflects changes in the assets in the scheme during the period as a result of contributions paid into and benefits paid out of the scheme.

## 50.2 PENSIONS LIABILITY

The financial statements recognise the Council's pensions liability as an employing Authority in accordance with the requirements of International Accounting Standard 19 (IAS19). A full set of IAS19 disclosure notes are provided in this document. The table below discloses the pensions liability and the movements in that liability:

<b>Pensions Liability</b>	<b>2010/11 £000</b>	<b>2009/10 £000</b>
Present value of funded benefit obligation	(953,683)	(1,053,725)
Present value of unfunded benefit obligation	(9,589)	(11,236)
<b>Total present value of benefit obligations</b>	<b>(963,272)</b>	<b>(1,064,961)</b>
Fair value of fund assets	617,831	548,173
<b>Unrecognised past service cost</b>	<b>(345,441)</b>	<b>(516,788)</b>
	0	0
<b>Net liability</b>	<b>(345,441)</b>	<b>(516,788)</b>
<b>Movements on Pensions Liability</b>	<b>2010/11 £000</b>	<b>2009/10 £000</b>
Net liability brought forward	(516,788)	(388,006)
Current service cost	(24,860)	(16,124)
Past service cost	58,077	(477)
Curtailments and settlements	(736)	(1,518)
Employer's contributions	32,375	30,118
Interest on pension liabilities	(59,664)	(54,910)
Expected return on plan assets	33,309	25,269
Actuarial gains / (losses)	132,846	(111,140)
<b>Net liability carried forward</b>	<b>(345,441)</b>	<b>(516,788)</b>

In his budget statement on 22 June 2010, the Chancellor announced that the government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practice in the past.

The actuaries have allowed for this change, by assuming that over the long term CPI will be less than RPI by 0.5% p.a. The effect of this is to reduce the calculated value of an employer's liabilities for accounting purposes, normally by about 5-8%. The reduction for the London Borough of Croydon is £59.98m. The adjustment is included in the "past service cost" creating a past service gain in the accounting figures. The actuaries approach is consistent with CIPFA's LAAP Bulletin 89.

## 50.3 MATERIAL PREPAID AND ACCRUED PENSION CONTRIBUTION IN RESPECT OF DEFINED BENEFIT SCHEMES

There are no material amounts in these categories.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 51. ADJUSTMENT FOR MOVEMENT IN NON-CASH ITEMS

Adjustment of net surplus or deficit on the provision of services is required for non-cash movements.

	2010/11 £000	2009/10 £000
<b>Provisions and accounting basis transactions</b>		
Depreciation	(38,107)	(32,670)
Impairment and downward valuations	(152,496)	(63,125)
Amortisations	(1,588)	(1,370)
Increase in impairment for allowance for bad debts	(2,148)	(14,643)
Pension liability - accounting basis	6,126	(47,760)
Carrying amount of non-current assets sold	(13,981)	(21,457)
Provisions	(219)	(8,322)
Movements in the value of investment properties	(2,551)	9,481
Amounts posted from the Donated Assets Account	0	0
Other non cash movements	(21,419)	1,703
Net interest	(7,223)	(8,135)
	(233,605)	(186,298)
<b>Items included/excluded from net surplus or deficit on the provision of services:</b>		
Decrease/Increase in payables	3,126	7,495
Increase/Decrease in receivables	(19,633)	51,084
Decrease/Increase in inventory	206	(72)
Pension liability - paid	32,375	30,118
	16,074	88,625
<b>Other non service related items</b>		
Grants applied to the financing of capital expenditure or received to meet the principal repayments on borrowing	56,188	23,425
Revenue expenditure funded from capital under statute	(17,320)	(3,454)
<b>Total adjustment</b>	(178,662)	(77,702)

### 52. ADJUSTMENT FOR INVESTING AND FINANCING ITEMS INCLUDED IN SURPLUS / DEFICIT

	2010/11 £000	2009/10 £000
Purchase of short-term and long-term investments	0	0
Proceeds from short-term and long-term investments	0	0
Proceeds from the sale of property, plant and equipment	2,975	1,329
Proceeds from the sale of investment property	0	0
Proceeds from the sale of intangible assets	0	0
<b>Total adjustment</b>	2,975	1,329



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 53. IMPACT OF THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

#### RECONCILIATION OF NET WORTH REPORTED UNDER PREVIOUS GAAP TO NET WORTH UNDER IFRS AT THE DATE OF TRANSITION TO IFRS (1 APRIL 2009)

New Category	Previous UK GAAP £000	Effect of Transition to IFRS				IFRS £000
		Leave £000	Leases £000	Grants £000	Other £000	
Property Plant and Equipment						
Council dwellings	659,252					659,252
Other land and buildings	937,398		(4,208)		340	933,531
Vehicles plant and equipment	13,484					13,484
Infrastructure	82,998		1,645			84,643
Community assets	2,513		600			3,113
Assets under construction	10,453					10,453
Surplus assets held for disposal	340				(340)	0
Investment Property	75,906		(57,880)			18,026
Intangible assets	3,462					3,462
Long-term investments	23,324					23,324
Non-Current receivables	5,466		8,000			13,466
<b>Non Current assets</b>	<b>1,814,595</b>	<b>0</b>	<b>(51,842)</b>	<b>0</b>	<b>0</b>	<b>1,762,753</b>
Current investments	161,895				(86,682)	75,213
Inventories	292					292
Current Receivables						
Receivables	99,913		2,305			102,218
Payments in advance	8,311					8,311
Allowance for Receivables	(38,089)					(38,089)
Cash and cash equivalents	10,614				86,682	97,296
<b>Current assets</b>	<b>242,936</b>	<b>0</b>	<b>2,305</b>	<b>0</b>	<b>0</b>	<b>245,241</b>
Cash and cash equivalents	(44,973)					(44,973)
Short-term borrowing	(20)		(3)			(23)
Current Payables						
Payables	(82,507)					(82,507)
Receipts in advance	(20,622)			2,573		(18,048)
<b>Current liabilities</b>	<b>(148,122)</b>	<b>0</b>	<b>(3)</b>	<b>2,573</b>	<b>0</b>	<b>(145,552)</b>
Provisions	(15,246)	(5,791)				(21,037)
Long-term borrowing	(292,439)		(224)			(292,663)
Deferred capital creditors	(5,840)					(5,840)
Other non current liabilities						
Pensions liability	(388,006)					(388,006)
Government grants deferred	(56,807)			56,807		0
Capital grants receipts in advance	0			(2,114)		(2,114)
<b>Non-Current liabilities</b>	<b>(758,337)</b>	<b>(5,791)</b>	<b>(224)</b>	<b>54,693</b>	<b>0</b>	<b>(709,659)</b>
<b>Net assets</b>	<b>1,151,072</b>	<b>(5,791)</b>	<b>(49,764)</b>	<b>57,266</b>	<b>0</b>	
Usable reserves						
Balances - general fund (schools)	15,462				(15,462)	0
- general fund (other)	9,300					9,300
- HRA	3,736					3,736
Earmarked reserves	25,641				15,462	41,104
Usable capital receipts reserve	2,732		8,900			11,632
Capital grants unapplied	0			459		459
Major repairs reserve	0					0
Unusable reserves						
Revaluation reserve	202,873		2,067			204,940
Capital adjustment account	1,280,506		(60,731)	56,807		1,276,582
Financial Instruments adjustment account	(1,534)					(1,534)
Pensions reserve	(388,006)					(388,006)
Deferred capital receipts	360					360
Collection fund	0					0
Accumulated absences account	0	(5,791)				(5,791)
<b>Total reserves</b>	<b>1,151,072</b>	<b>(5,791)</b>	<b>(49,764)</b>	<b>57,266</b>	<b>0</b>	<b>1,152,783</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 53. IMPACT OF THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

#### RECONCILIATION OF NET WORTH REPORTED UNDER PREVIOUS GAAP TO NET WORTH UNDER IFRS AT THE END OF THE LATEST PERIOD PRESENTED IN THE MOST RECENT FINANCIAL STATEMENTS UNDER THE PREVIOUS GAAP (31 MARCH 2010)

New Category	Previous UK GAAP £000	Effect of Transition to IFRS				IFRS £000
		Leave £000	Leases £000	Grants £000	Other £000	
Property Plant and Equipment						
Council dwellings	663,171					663,171
Other land and buildings	902,902		(2,064)		340	901,178
Vehicles plant and equipment	14,910					14,910
Infrastructure	83,607		1,157			84,764
Community assets	2,620		422			3,042
Assets under construction	9,778					9,778
Surplus assets held for disposal	340				(340)	0
Investment Property	66,577		(58,342)		9,719	17,954
Intangible assets	3,574					3,574
Long-term investments	9,946					9,946
Non Current Receivables	29,616		5,656			35,271
<b>Long-term assets</b>	<b>1,787,040</b>	<b>0</b>	<b>(53,170)</b>	<b>0</b>	<b>9,719</b>	<b>1,743,589</b>
Short-term investments	118,921				(19,667)	99,255
Inventories	219					219
Current receivables						0
Receivables	152,905		2,345			155,250
Payments in advance	9,644					9,644
Allowance for receivables	(52,733)					(52,733)
Cash and cash equivalents	9,318				19,667	28,985
<b>Current assets</b>	<b>238,275</b>	<b>0</b>	<b>2,345</b>	<b>0</b>	<b>0</b>	<b>240,620</b>
Cash and cash equivalents	(39,278)					(39,278)
Short-term borrowing	(116,077)		(3)			(116,080)
Current Payables						0
Payables	(74,783)					(74,783)
Receipts in advance	(41,731)			23,455		(18,276)
<b>Current liabilities</b>	<b>(271,869)</b>	<b>0</b>	<b>(3)</b>	<b>23,455</b>	<b>0</b>	<b>(248,418)</b>
Provisions	(18,121)	(5,447)				(23,568)
Long-term borrowing	(198,082)		(221)			(198,303)
Deferred capital creditors	(7,065)					(7,065)
Other long-term liabilities						0
Pensions liability	(516,788)					(516,788)
Government grants deferred	(68,767)			68,767		0
Capital grants receipts in advance	0			(18,802)		(18,802)
<b>Long-term liabilities</b>	<b>(808,823)</b>	<b>(5,447)</b>	<b>(221)</b>	<b>49,965</b>	<b>0</b>	<b>(764,526)</b>
<b>Net assets</b>	<b>944,623</b>	<b>(5,447)</b>	<b>(51,049)</b>	<b>73,419</b>	<b>9,719</b>	<b>971,265</b>
Usable reserves						
Balances - general fund (schools)	14,916				(14,916)	0
- general fund (other)	11,597					11,597
- HRA	4,481					4,481
Earmarked reserves	33,996			4,002	14,916	52,914
Usable capital receipts reserve	228		8,900			9,128
Capital grants unapplied	0			651		651
Major repairs reserve	0					0
Unusable reserves						0
Revaluation reserve	244,904		(25,702)		239	219,441
Capital adjustment account	1,155,117		(34,248)	68,767	9,481	1,199,117
Financial Instruments adjustment account	(4,120)					(4,120)
Pensions reserve	(516,788)					(516,788)
Deferred capital receipts	291					291
Collection fund	0					0
Accumulated absences account	0	(5,447)				(5,447)
<b>Total reserves</b>	<b>944,623</b>	<b>(5,447)</b>	<b>(51,049)</b>	<b>73,419</b>	<b>9,719</b>	<b>971,265</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 53. IMPACT OF THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

#### RECONCILIATION TO TOTAL COMPREHENSIVE INCOME AND EXPENDITURE UNDER IFRS FOR THE LATEST PERIOD IN THE MOST RECENT ANNUAL FINANCIAL STATEMENTS (YEAR ENDED 31 MARCH 2010)

New Category	Previous UK GAAP £000	Effect of Transition to IFRS				IFRS £000
		Leave £000	Leases £000	Grants £000	Other £000	
<b>Gross expenditure, gross income and net expenditure of continuing operations</b>						
Central services to the public	6,846	11				6,857
Cultural, environmental, regulatory and planning services	59,549	20	127	2,253	268	62,217
Education services	41,139	(469)	59	1,153	44	41,926
Highways and transport services	22,594	21	2,428	7,972	(50)	32,965
Local authority housing (HRA)	(5,380)	19		214	5	(5,142)
Other housing services	8,471	4		1,836	2	10,313
Social care	130,250	50		(325)	11	129,986
Corporate and democratic core	3,731			169		3,900
Non distributed costs	1,826					1,826
<b>Cost Of Services</b>	<b>269,025</b>	<b>(343)</b>	<b>2,614</b>	<b>13,273</b>	<b>280</b>	<b>284,848</b>
<b>Other Operating Expenditure</b>						
Payments of precepts to parishes						
Levies payable	2,336					2,336
Payments to Housing capital receipts to govt pool	613					613
Gain/loss on disposal of non current (fixed assets)	19,930					19,930
Gain/loss on disposal of intangibles						
Levies to national police services						
Loss on revaluation of non current assets	93,365				(30,240)	63,125
<b>Financing and Investment Income and Expenditure</b>						
Interest payable on debt	9,830					9,830
Interest element of finance leases (lessee)						
Interest payable on PFI unitary payments	1,977					1,977
Premium on early repayment of debt	27					27
Impairment of financial instruments	3,280					3,280
Pensions interest costs	54,910					54,910
Expected return on pension assets	(25,269)					(25,269)
Investment Interest income	(6,751)					(6,751)
Interest received on finance leases (lessor)			(312)			(312)
Discount for early repayment of debt						
Changes in fair value of investment properties					(9,481)	(9,481)
Gains/loss on disposal of investment properties						
Dividends receivable						
Gain/loss on trading accounts (not applicable to a service)	218					218
Rentals received on investment properties						
Expenses incurred on investment properties						
<b>Profit or loss on Discontinued Operations</b>						
Gains/loss on disposal						
<b>Taxation and Non-Specific Grant Income</b>						
Recognised capital grants and contributions				(29,426)		
Council tax	(143,383)					(143,383)
NNDR	(94,915)					(94,915)
RSG	(21,908)					(21,908)
Non service related government grants	(25,709)					(25,709)
(Gain) on government pension grant (fire)						
Home Office Pension Grant (Police)						
<b>(Surplus) or Deficit on Provision of Services</b>	<b>137,576</b>	<b>(343)</b>	<b>2,302</b>	<b>(16,153)</b>	<b>(39,441)</b>	<b>113,367</b>
<b>Associates and Joint Ventures accounted for on an equity basis -</b>						
<b>Authority share of results of associates and joint ventures</b>						
<b>Tax expenses - Corporation tax payable</b>						
<b>Group Surplus or Deficit</b>	<b>137,576</b>	<b>(343)</b>	<b>2,302</b>	<b>(16,153)</b>	<b>(39,441)</b>	<b>113,367</b>
<b>Surplus or deficit on revaluation of non current assets</b>						
Revaluation gains	(47,222)					(47,222)
Revaluation losses (chargeable to revaluation reserve)						
Impairment losses (chargeable to revaluation reserve)	4,886					4,886
<i>Note does not equal movement in RR as depreciation and disposals are not included in this section</i>						
<b>Surplus or deficit on revaluation of available for sale financial assets - Generally movement in Available for Sale FI's</b>						
<b>Actuarial gains / losses on pension assets / liabilities- Matching the entry to the pensions reserve</b>	<b>111,140</b>					<b>111,140</b>
<b>Other gains/losses required to be included in the statement</b>	<b>68</b>					<b>68</b>
<b>Share of other Comprehensive Expenditure &amp; Income of associates &amp; joint ventures</b>						
<b>Other Comprehensive Income and Expenditure</b>	<b>68,872</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>68,872</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>206,448</b>	<b>(343)</b>	<b>2,302</b>	<b>(16,153)</b>	<b>(39,441)</b>	<b>182,239</b>

**54. TRUST FUNDS**

The Council acts as trustee for various funds of varying nature with a total value of approximately £4.3m.

The principal funds include funds held on behalf of:

- The Mansel Project to provide a new learning disability home to serve a number of London boroughs (£1.736m)
- South West London Sub-Regional Renewal monies for housing (£0.056m)
- Individuals for whom the Council is Appointee for savings (£1.021m)
- The Church Tenements Charity, which provides grants to young people for education purposes (£0.868m)
- The Frank Denning Memorial Charity, which provides travelling scholarships (£0.275m).

Other accounts include prize funds, amenity funds of establishments, trust fund legacies and charity appeal funds.

The funds are not assets of the Council and have not been included in the Balance Sheet.

Employees of the Council are members of two separate pension schemes:

The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education.

The Local Government Pensions Scheme, administered by the London Borough of Croydon.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees working for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it was a defined contributions scheme - no liability for future payments of benefits is recognised in the Council's Balance Sheet and the Children, Young People and Learners revenue account is charged with the employer's contributions payable to the Teachers' Pension Scheme during the year.

In 2010/11, the Council paid £13.8m (2009/10 £13.7m) to Capita Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% (2009/10 14.1%) of pensionable pay.

### **The Local Government Pension Scheme**

The Local Government Scheme is accounted for as a defined benefits scheme; its members are the London Borough of Croydon and a number of Scheduled and Admitted bodies. A list of all member bodies is available in the Pension Fund Accounts.

The liabilities of the scheme attributable to the London Borough of Croydon are included in the balance sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees.

Liabilities are discounted to their present value, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bonds).

The assets of the scheme attributable to the London Borough of Croydon are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price or the last trade price depending upon the convention of the market
- Unquoted securities – professional estimate
- Unlisted securities – current bid price
- Property – market value.

The change in the net pensions liability is analysed into seven components:

**Current service cost** - the increase in the present value of a defined benefit obligation resulting from employee service in the current period - allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employee worked

**Past service cost** - the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases) - debited / credited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

**Interest cost** - the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement - debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement

**The return on Fund assets** - is interest, dividends and other revenue derived from the Fund assets, together with realised and unrealised gains or losses on the Fund assets, less any costs of administering the Funds (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the Fund itself - credited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement

**Gains / losses on settlements and curtailments** – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

**Actuarial gains and losses** comprise:

- experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and
- the effects of changes in actuarial assumptions - are recognised in Other Comprehensive Income.

**Contributions paid to the Pension Fund** – cash paid as employer's contributions to the Pension Fund.

Actuarial valuations are carried out every three years as required by legislation. The most recent valuation was undertaken by Mercer Human Resource Consulting as at 31 March 2010. This identified a deficit of £301m which the actuary recommended should be recovered over a 24 year period through an average employer's contribution of 23.0% of pensionable pay.

Statutory provisions require the General Fund balance to be charged with the amount of retirement benefit contributions payable by the Council to the Pension Fund in the year, not the amount calculated according to the relevant accounting standards. Consequently, in the Other Comprehensive Income there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and any amounts payable to the Fund but unpaid at the year end. On this basis the London Borough of Croydon's cash contribution to the Pension Fund in 2010/11 was £32.4m at a contribution rate of 23.2% (£30.1m in 2009/10 at a contribution rate of 22.1%). The IAS19 determined charge to the General Fund, the amount exclusive of any appropriations to and from the Pensions Reserve, is £(6.1m) in 2009/10 (£47.8m in 2009/10). The credit has arisen because of the change from RPI to CPI in uprating pension benefits. As a consequence the fund experienced a significant (£60.0m) Past Service Gain due to this.

### Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as those applied to the Local Government Pension Scheme.

<b>Actuarial Assumptions</b>	<b>31 March 2011</b>	<b>31 March 2010</b>
<b>Financial assumptions</b>		
Rate of inflation RPI	3.40%	3.30%
Rate of inflation CPI	2.90%	2.80%
Rate of increase in salaries *	4.65%	5.05%
Rate of increase of pensions	2.90%	3.30%
Discount rate	5.50%	5.60%
<b>Expected rate of return on assets</b>		
Equities	7.50%	7.50%
Government bonds	4.40%	4.50%
Other bonds	5.10%	N/A
Property	6.50%	6.50%
Cash / Liquidity	0.50%	0.50%
Other	7.50%	7.50%
<b>Split of assets between investment categories</b>		
Equities	53.10%	55.00%
Government bonds / All bonds	11.80%	34.00%
Other bonds	17.50%	N/A
Property	5.90%	3.00%
Cash / Liquidity	0.60%	2.00%
Other	11.10%	6.00%
<b>Life expectancy</b>		
of a male (female) future pensioner aged 65 in 20 years time	23.0 (25.8) years	22.2 (25.0) years
of a male (female) current pensioner aged 65	21.6 (24.2) years	21.2 (24.1) years
<b>Commutation of pension for lump sum at retirement</b>	50% take maximum cash, 50% take 3/80ths cash	
<b>Market value of total funds (millions)</b>	621	563
	as at 31 Dec 2010	as at 31 Dec 2009

\* allowance has been made also for short-term public sector pay restraints as announced by the Government.

## PENSIONS - IAS19 AND ACCOUNTING CODE OF PRACTICE DISCLOSURE NOTES

The amounts recognised in the Balance Sheet	2010/11 £000	2009/10 £000
Present value of funded benefit obligation	(953,683)	(1,053,725)
Present value of unfunded benefit obligation	(9,589)	(11,236)
Total present value of benefit obligations	<u>(963,272)</u>	<u>(1,064,961)</u>
Fair value of Fund assets	617,831	548,173
	<u>(345,441)</u>	<u>(516,788)</u>
Unrecognised past service cost	0	0
Net liability	<u>(345,441)</u>	<u>(516,788)</u>

Changes in the Present Value of Defined Benefit Obligations	2010/11 £000	2009/10 £000
Opening defined benefit obligation	(1,064,961)	(777,690)
Current service cost	(24,860)	(16,124)
Past service cost	58,077	(477)
Curtailments and settlements	(736)	(1,518)
Interest on pension liabilities	(59,664)	(54,910)
Members contributions	(8,559)	(8,415)
Actuarial (gains) / losses on liabilities	104,943	(238,976)
Benefits / transfers paid	32,488	33,149
Closing defined benefit obligation	<u>(963,272)</u>	<u>(1,064,961)</u>

Changes in the Fair Value of Fund Assets	2010/11 £000	2009/10 £000
Opening fair value of Fund assets	548,173	389,684
Expected return on Fund assets	33,309	25,269
Actuarial gains / (losses) on assets	27,903	127,836
Employer contributions	32,375	30,118
Members contributions	8,559	8,415
Benefits / transfers paid	(32,488)	(33,149)
Closing fair value of Fund assets	<u>617,831</u>	<u>548,173</u>

Analysis of the Movement in the Net Liability	2010/11 £000	2009/10 £000
Net liability brought forward	(516,788)	(388,006)
Current service cost	(24,860)	(16,124)
Past service cost	58,077	(477)
Curtailments and settlements	(736)	(1,518)
Employer's contributions	32,375	30,118
Interest on pension liabilities	(59,664)	(54,910)
Expected return on plan assets	33,309	25,269
Actuarial gains / (losses)	132,846	(111,140)
Net liability carried forward	<u>(345,441)</u>	<u>(516,788)</u>

In his budget statement on 22 June 2010, the Chancellor announced that the government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practice in the past.

The actuaries have allowed for this change, by assuming that over the long term CPI will be less than RPI by 0.5% p.a. The effect of this is to reduce the calculated value of an employer's liabilities for accounting purposes, normally by about 5-8%. The reduction for the London Borough of Croydon is £59.98m. The adjustment is included in the "past service cost" creating a past service gain in the accounting figures. The actuaries approach is consistent with CIPFA's LAAP Bulletin 89.

# PENSIONS - IAS19 AND ACCOUNTING CODE OF PRACTICE DISCLOSURE NOTES

Analysis of the Fair Value of Fund Assets	Value at 31 March 2011		Value at 31 March 2010		Value at 31 March 2009	
	%	£000	%	£000	%	£000
Equities	53.10%	328,069	55.00%	301,496	85.00%	331,231
Government bonds / All bonds	11.80%	72,904	34.00%	186,379	6.00%	23,381
Other bonds	17.50%	108,120	0.00%	0	0.00%	0
Property	5.90%	36,452	3.00%	16,445	1.00%	3,897
Cash/liquidity	0.60%	3,707	2.00%	10,963	8.00%	31,175
Other	11.10%	68,579	6.00%	32,890	0.00%	0
Fair value of Fund assets		<u>617,831</u>		<u>548,173</u>		<u>389,684</u>

## Movements on Pensions Reserve

	2010/11 £000	2009/10 £000
Net liability brought forward	(516,788)	(388,006)
Reduction of charge to actual payment into the Pension Fund (adjusted in the Movement in Reserves Statement - no entry in CI&E statement)	38,501	(17,642)
Experience / Actuarial (gain) / loss (recognised in the Statement of Other Comprehensive Income)	132,846	(111,140)
Net liability carried forward	<u>(345,441)</u>	<u>(516,788)</u>

The improvement in investment markets during the year has resulted in the fair value of the Fund's assets rising from £548m to £618m, and the deficit under IAS19 has reduced from £517m to £345m. It is important to understand that there are two separate processes at work here: the assets of the Fund i.e. the various investments, are valued with reference to market assessments, the liabilities of the fund are calculated by using a notional future value - typically what could be earned by holding UK Government debt, these two sets of valuations are not correlated and therefore can move independently. A further reason for the reduction in the deficit is the change from the retail price index (RPI) to the consumer price index (CPI) as the index by which pension increases are determined.

This year there has only been a marginal change (0.1%) in the discount rate used to discount the Fund's liabilities. IAS19 requires this to be the current rate of return on high quality UK corporate bonds of equivalent term to the fund's liabilities. Last year a 1.5% reduction in the discount rate from 31 March 2009 to 31 March 2010 was the main reason for an increase in the present value of the Pension Fund liability of approximately £131m. The Pension Fund liabilities are therefore extremely sensitive to even very small changes to discount rates.

The IAS19 valuation is not however an assessment of the actual cash value of any funding difference - it is a notional sum that is reversed out through the Local Government accounting mechanism.

Amounts recognised in the Comprehensive Income and Expenditure Statement	2010/11 £000	2009/10 £000
<b>Amounts recognised in the net cost of services</b>		
Current service cost		(16,124)
Past service cost	58,077	(477)
Effect of curtailments or settlements	(736)	(1,518)
<b>Amounts recognised in financing and investment income and expenditure</b>		
Interest on pension liabilities	(59,664)	(54,910)
Expected return on Fund assets	33,309	25,269
<b>Amount recognised in the Comprehensive Income and Expenditure Statement</b>	<u>30,986</u>	<u>(47,760)</u>
<b>The amounts recognised in the Statement of Other Comprehensive Income</b>		
Actuarial Gain / Loss	<u>132,846</u>	<u>(111,140)</u>
<b>The amounts recognised in the Movement in Reserves Statement</b>		
Transfer to Pension Reserve	<u>(38,501)</u>	<u>17,642</u>
<b>The amount recognised in the Financial Statements of the Council</b>		
Employer contributions	<u>(7,515)</u>	<u>(30,118)</u>
<b>Actual Return on Fund assets</b>	<u>62,532</u>	<u>153,105</u>



## PENSIONS - IAS19 AND ACCOUNTING CODE OF PRACTICE DISCLOSURE NOTES

IAS19 requires that the cost of retirement benefits is recognised in the Comprehensive Income and Expenditure Statement when the entitlement is earned, irrespective of when the benefits are actually paid. However, the charge the Council is required to make in its financial statements is equal to the actual contribution to the Pension Fund payable in the year. Consequently, a transfer is made to, or from, the Pensions Reserve to achieve this.

The other adjustment to the Pensions Reserve during the year represents the Experience / Actuarial gain or loss recognised during the year. The gain or loss calculated is taken directly to Other Comprehensive Income.

Consequently, the balance on the reserve represents the amount required to meet the estimated liability for future pensions, and the change in the reserve during the year represents the change in that liability.

### Key Financial Data Relating to the Current and Four Previous Periods

	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000	31 March 2008 £000	31 March 2007 £000
Present value of benefit obligations	(963,272)	(1,064,961)	(777,690)	(905,471)	(813,776)
Fair value of fund assets	617,831	548,173	389,684	492,661	522,693
Surplus / (Deficit) of the Fund	(345,441)	(516,788)	(388,006)	(412,810)	(291,083)
Experience adjustments on Fund liabilities	104,943	(238,976)	187,315	(42,056)	39,868
Experience adjustments on Fund assets	27,903	127,836	(142,901)	(66,935)	7,420

### Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

In order to assess the value of the benefits on this basis, we have used the same actuarial assumptions as those used for funding purposes, other than the discount rate where we have used a rate of 5.6% p.a., rather than the rate as outlined above. We have also used valuation methodology in connection with ill-health and death benefits which is consistent with IAS 19. On this basis, the value of the Fund's promised retirement benefits as at 31 March 2010 was £951 million.

We have also carried out similar calculations as at the previous actuarial valuation date of 31 March 2007, using the same actuarial assumptions as those used for funding purposes at that date, other than the discount rate where we have used a rate of 5.4% p.a. On this basis, the value, for IAS 26 purposes, of the Fund's promised retirement benefits at that date was £913 million.

#### John Livesey

Fellow of the Institute and Faculty of Actuaries

Mercer Limited

01 May 2011

# HOUSING REVENUE ACCOUNT - COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## INTRODUCTION

The Housing Revenue Account (HRA) is a record of revenue expenditure and income relating to Croydon Council's own housing stock. Income and expenditure on other housing services provided by the Council is recorded in the General Fund. The items recorded within the HRA are prescribed by statute and the Council has no general discretion to transfer sums into or out of the HRA; this type of account is known as ring fenced.

The ring fence was introduced by the Local Government and Housing Act 1989, to ensure that rents paid by local Authority tenants accurately and realistically reflected the cost of providing the housing service.

## HRA COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

	Note No.	2010/11 £000	2009/10 £000
<b>Income</b>			
Dwelling rents	13	(61,684)	(60,807)
Non-dwelling rents	13	(1,462)	(1,446)
Charges for services and facilities	14	(9,559)	(10,151)
Contributions towards expenditure		(70)	(203)
Capital Grants & Contributions Receivable		(8,354)	(1,167)
<b>Total Income</b>		<b>(81,129)</b>	<b>(73,774)</b>
<b>Expenditure</b>			
Repairs and maintenance		13,039	13,827
Supervision and management		19,531	19,208
Rents, rates, taxes and other charges	15	5,891	5,900
Negative subsidy payable to Communities and Local Government	8	16,016	16,316
Allowance for receivables	10	517	683
Depreciation of non current assets		11,856	10,992
Impairment of non current assets	3	243,501	0
Amortisation of intangible assets		3	3
Revenue expenditure funded from capital under statute		287	204
<b>Total Expenditure</b>		<b>310,640</b>	<b>67,133</b>
<b>Net cost of HRA Services as included in the whole-authority Comprehensive Income and Expenditure Statement</b>		<b>229,511</b>	<b>(6,641)</b>
<b>HRA services share of Corporate and Democratic Core</b>		<b>152</b>	<b>152</b>
<b>HRA share of Pensions Reserve contributions not allocated to specific services</b>	9	<b>(4,718)</b>	<b>169</b>
<b>Net Cost of HRA Services</b>		<b>224,945</b>	<b>(6,320)</b>
Gain or loss on sale of HRA fixed assets		(1,767)	(1,031)
Gain or loss on revaluation of non current assets		(111,993)	7,007
Housing Pooled Capital Receipt		1,141	613
Interest payable and similar charges		3,494	3,944
Interest and investment income		(31)	(29)
Pensions interest costs and expected return on pensions assets		2,169	2,518
<b>(Surplus)/ deficit for the year on HRA services</b>		<b>117,957</b>	<b>6,702</b>

# NOTES TO THE HOUSING REVENUE ACCOUNT

## 1. STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

The statement takes the outturn on the HRA Comprehensive Income and Expenditure Statement and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

	Note No.	2010/11 £000	2009/10 £000
<b>HRA surplus balance brought forward</b>		(4,481)	(3,736)
<b>(Surplus)/deficit for the year on the HRA Comprehensive Income and Expenditure Statement</b>		117,957	6,702
<b>Amounts included in the HRA Comprehensive Income and Expenditure Statement but are required by statute to be excluded when determining the Movement on the HRA balance for the year</b>			
Transfer to/(from) Major Repairs Reserve	4	(476)	(55)
Write down of Intangible Assets		(3)	(3)
Loss on revaluation charged to Income and Expenditure	3	(243,501)	0
Reversal of Gain or loss on revaluation of non current assets		111,993	(7,007)
Gain or loss on sale of HRA fixed assets		1,767	1,031
Capital Grants and Contributions		8,354	1,298
Write downs of revenue expenditure funded from capital under statute	4/7	(287)	(204)
Premiums paid on early redemption of debt		0	(983)
Net Changes made for Retirement Benefits in accordance with IAS19			
Compensated Absences		3,168	(1,499)
		(118,985)	(7,422)
<b>Amounts excluded in the HRA Comprehensive Income and Expenditure Statement but are required by statute to be included when determining the Movement on the HRA balance for the year</b>			
Amortisation of premiums and discounts	17	488	607
Transfer to/(from) Capital Adjustment Account		0	0
Capital expenditure funded by the Housing Revenue Account		(1,141)	(613)
Housing Pooled Capital Receipt		(653)	(6)
<b>Contributions to/from Reserves</b>			
STACA		26	(19)
		26	(19)
<b>Net additional amounts</b>		(119,612)	(7,447)
<b>(Increase)/decrease in HRA balance for the year</b>		(1,655)	(745)
<b>HRA balance carried forward</b>		(6,136)	(4,481)

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 2. NUMBER AND TYPE OF DWELLINGS IN THE HOUSING STOCK

Types of Property	2010/11	2009/10
Houses	5,423	5,428
Flats	8,583	8,593
Relocatable Homes	24	37
<b>Total Dwellings</b>	<b>14,030</b>	<b>14,058</b>

### 3. PPE ASSETS CATEGORY VALUES

2010/11

	Council Dwellings	Other Land and Buildings	Vehicles, Plant Furniture and Equipment	Assets Under Construction	Total
	£000	£000	£000	£000	£000
Net book value as at 1 April 2010	663,171	1,121	91	621	665,004
Gross book value as at 1 April 2010	674,100	1,200	195	621	676,116
Additions	18,655	0	0	9,483	28,138
Donations	0	0	0	0	0
Disposals	0	0	0	0	0
Revaluation increase recognised in Revaluation reserve	0	6,624	0	0	6,624
Revaluation increase recognised in Income & Expenditure	111,969	20	0	0	111,989
Derecognition - Disposals	(761)	0	0	0	(761)
Derecognition - Other	0	(66)	0	0	(66)
Transfers/Reclassifications	(6,143)	6,143	0	0	0
Gross book value as at 31 March 2011	797,820	13,921	195	10,104	822,040
<b>Accumulated Depreciation and Impairment</b>					
At 1 April 2010	10,929	79	104	0	11,112
Depreciation for year	11,380	439	37	0	11,856
Depreciation written out to the revaluation reserve	0	(73)	0	0	(73)
Depreciation written out to Income & Expenditure	0	(4)	0	0	(4)
Impairment Losses charged to Income & Expenditure **	243,501	0	0	0	243,501
Derecognition - Disposals	(16)	0	0	0	(16)
Derecognition - Other	0	(1)	0	0	(1)
Accumulated Depreciation and Impairment at 31 March 2011	265,794	440	141	0	266,375
<b>Net book value as at 31 March 2011</b>	<b>532,026</b>	<b>13,481</b>	<b>54</b>	<b>10,104</b>	<b>555,665</b>

The Council is required to charge depreciation on all HRA properties, including non-dwelling properties.

The estimation of depreciation for HRA properties has been considered in the context of the Major Repairs Allowance (MRA). The MRA represents the estimated average annual cost of maintaining the condition of the Council's housing stock over a 30-year period, based on the Authority's own mix of dwelling archetypes. Consequently, the MRA is considered to constitute a reasonable estimate of depreciation for HRA properties and is the figure used in the Council's accounts.

**\*\* Impairment of Council Dwellings of £254.4m is reduced to £243.5m after writing back accumulated depreciation of £10.9m.**

### 3. NON CURRENT ASSETS AND DEPRECIATION (continued)

The depreciation charge in respect of HRA dwellings is a real charge in the HRA. Unlike depreciation charges in respect of other local Authority assets, it is not offset against Minimum Revenue Provision (MRP) or reversed out (except in the limited circumstances where the depreciation charge is higher than the MRA, in which case the difference is reversed out). It is funded within the HRA by the MRA.

All Authorities are required by the Accounts and Audit Regulations 2003 to maintain a Major Repairs Reserve. The main credit to the Major Repairs Reserve is an amount equivalent to the total depreciation charge for all HRA assets. When depreciation charges for HRA dwellings are less than the MRA, an amount equal to the difference is transferred from the HRA to the Major Repairs Reserve. Where total HRA depreciation charges are greater than the MRA then an amount equal to the difference is transferred to the HRA from the Major Repairs Reserve. Through this mechanism the HRA is charged with an amount for depreciation equal to the MRA.

The balance held within the Major Repairs Reserve can be spent without it being charged to the HRA. Statute requires that the reserve is only used for capital expenditure on HRA assets.

The physical properties represented in the financial tables and their vacant possession value are disclosed below:

	<b>31 March 2011</b>	<b>31 March 2010</b>
Total Dwellings	14,030	14,058
Leaseholds	2,098	2,096
Garages	3,457	3,486
Parking Spaces	96	130
	<u>19,681</u>	<u>19,770</u>
Vacant possession value of dwellings at 31 March 2010 and 2009	<u>£2,124m</u>	<u>£1,763m</u>

The vacant possession value is the Authority's estimate of the total sum that it would receive if all the assets were sold on the open market.

For the Balance Sheet, Council dwellings are required, by the Housing Revenue Account (Accounting Practices) Directions 2007, to be valued in a way that reflects their occupation by sitting tenants enjoying rents at less than open market rents and tenants' rights including the Right to Buy. This reduction from vacant possession values is achieved by the application of an adjustment, known as Economic Use Social Housing (EUSH) factor. It is calculated by the Government and in 2010/11 it was reduced from 37% to 25%, giving a value of £2,124m x 25% = £532m.

The difference between the vacant possession value and balance sheet value of dwellings within the HRA shows the economic cost to Government of providing Council housing at less than market rents.

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 4. CAPITAL EXPENDITURE

	2010/11 £000	2009/10 £000
<b>Expenditure</b>		
Non Current (Buildings)	18,655	22,344
Non Current (Assets under Construction)	9,484	621
Revenue expenditure funded from capital under statute	287	204
Intangible Assets	0	14
Equipment	0	0
	28,426	23,183
<b>Financed By</b>		
Borrowing approvals	8,569	7,681
Capital receipts	1,684	3,398
Government Grants and other Contributions	6,687	1,167
Grants relating to revenue expenditure funded from capital under statute	106	0
Direct Revenue contributions	0	0
Major Repairs Reserve	11,380	10,937
	28,426	23,183

From 2004/05, HRA set-aside was abolished. However, Authorities may decide to use revenue resources to reduce their HRA Capital Financing Requirement, i.e. to repay principal or to meet liabilities under credit arrangements. The revenue resources that can be used are revenue amounts from the HRA and the Major Repairs Reserve. HRA voluntary repayments of debt do not impact on the MRP requirement in relation to the General Fund.

#### Capital Receipts

	2010/11 £000	2009/10 £000
Balance brought forward	206	2,706
Mortgage repayments	43	65
Other capital receipts	465	132
Net surplus for year	508	197
Receipts from sales of assets during the year	2,111	1,314
Transfer to Housing Capital Receipts Pool	(1,141)	(613)
Balance of receipts after transfer	970	701
Balance on account before application of receipts	1,684	3,604
Financing of capital expenditure	(1,684)	(3,398)
<b>Balance carried forward</b>	0	206

#### Major Repairs Reserve

	£000	2009/10 £000
Opening balance as at 1 April	0	0
Amount transferred to the Reserve during the year	11,856	10,987
Capital expenditure during the year	(11,380)	(10,937)
Other Reserve adjustments	(476)	(50)
<b>Closing balance as at 31 March</b>	0	0

## 5. ANALYSIS OF MOVEMENT ON THE HOUSING REPAIRS ACCOUNT

The London Borough of Croydon does not operate a Housing Repairs Fund for its HRA.

## 6. DETAILS OF ANY IMPAIRMENT CHARGES FOR THE FINANCIAL YEAR

The value of council dwellings was impaired by £254m. This was due to Government changing the discount factor that is applied to the vacant possession value of Council dwellings. It reduced from 37% of vacant possession value to 25%, resulting in the impairment charge.

## 7. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Revenue expenditure funded from capital under statute relate to expenditure on assets that do not belong to the Council; in this instance they relate to a cash incentive scheme to assist the release of larger properties. The amounts are written out in the Statement of Movement on the Housing Revenue Account Balance.

## 8. HRA SUBSIDY

HRA subsidy was paid to meet any shortfall between expenditure and income on a model of each Authority's HRA (the notional HRA). The HRA subsidy calculation is based on annual assumptions covering the rents each Authority will charge (guideline rents), allowances for management and maintenance, the HRA's share of debt financing and management costs, calculated in accordance with a formula, and other specific items of expenditure and income.

Since the transfer of Rent Rebate to the General Fund from 1 April 2004, Croydon no longer experiences a shortfall but instead a surplus. Rent Rebate was a major cost component in the calculation which has now been removed. Consequently, the Council is required to make a deduction from income and remit this to the Department of Communities and Local Government (CLG).

<b>HRA Subsidy Account</b>	<b>2010/11 £000</b>	<b>2009/10 £000</b>
<b>Notional Income</b>		
Notional rental income	(59,886)	(58,399)
Other reckonable income	(10)	(20)
<b>Total Notional Income</b>	<b>(59,896)</b>	<b>(58,419)</b>
<b>Notional Expenditure</b>		
Management and maintenance allowance	27,724	26,369
Major repairs allowance	11,380	10,938
Charges for capital	5,037	5,119
Admissible allowance	0	0
<b>Surplus payable to CLG</b>	<b>44,141</b>	<b>42,426</b>
<b>Adjustments from previous years</b>	<b>(260)</b>	<b>(323)</b>
<b>Net surplus payable</b>	<b>(16,016)</b>	<b>(16,316)</b>

## 9. HRA SHARE OF CONTRIBUTIONS TO PENSIONS RESERVE

The HRA contribution to the Pensions Reserve is based on the employer's contributions for the HRA as a proportion of the total employers' contributions to the Pension Fund and calculated in accordance with IAS19.

## 10. RECEIVABLES AND ALLOWANCE FOR RECEIVABLES

	<b>2010/11</b>		<b>2009/10</b>	
	<b>Debtors</b>	<b>Allowance for doubtful debt</b>	<b>Debtors</b>	<b>Allowance for doubtful debt</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Housing Revenue Account rents	5,278	(3,720)	4,866	(3,376)
Housing Revenue Account lease holder service charges/major works	2,054	(198)	742	(270)
Housing Revenue Account other receivables	17	0	1,430	0
	<b>7,349</b>	<b>(3,918)</b>	<b>7,038</b>	<b>(3,646)</b>

## 11. SUMS DIRECTED BY THE SECRETARY OF STATE

There were no directions from the Secretary of State to transfer amounts to the General Fund.



## 12. EXCEPTIONAL AND PRIOR YEAR ADJUSTMENTS

There were no exceptional or prior year adjustments.

## 13. GROSS RENTAL INCOME

This item comprises the income of the Authority for the year from rents and charges in respect of houses and other property within the account; it includes rent remitted by way of rebate. The following data is relevant to the Council's HRA properties:

	<b>2010/11</b>	<b>2009/10</b>
Average percentage of void property	0.7%	0.9%
Average weekly rental (based on a 50 week year)	£87.75	£87.70

## 14. CHARGES FOR SERVICES AND FACILITIES

This represents the income of the Authority in respect of services or facilities provided in conjunction with the provision of houses and other property:

(a) it includes income in respect of services and facilities provided under sections 10 and 11 of the Housing Act 1985 (power to provide furniture, board and laundry facilities), but

(b) does not include payments for the purchase of furniture or hire-purchase instalments for furniture or income in respect of services provided under section 11A of that Act (power to provide welfare services).

The percentage of tenants in receipt of housing benefit was 70.57% in 2010/11 (70.7% in 2009/10) and the amount of gross rent and service charge met by housing benefit was £41.0m (£41.3m in 2009/10).

## 15. RENTS, RATES, TAXES AND OTHER CHARGES

	<b>2010/11 £000</b>	<b>2009/10 £000</b>
Rents	17	4
Water rates	4,250	4,141
Council Tax	52	4
Other charges	1,573	1,751
	<b>5,891</b>	<b>5,900</b>

## 16. RENT REBATES - TRANSITIONAL PROTECTION

Responsibility for meeting the costs of providing HRA rent rebate was transferred to the General Fund from 2004/05 onwards. The payment of transitional protection is to reimburse the General Fund for any subsidy shortfall it incurs from administering the new responsibility.

## 17. AMORTISED PREMIUMS AND DISCOUNTS

Following a restructuring of debt to take advantage of discounts offered, low long-term interest rates, and favourable housing subsidy regulations, the Council undertook, in 2003/04, a debt restructuring exercise which resulted in the payment of a net premium of £6.9m, of which £4.7m was apportioned to the HRA. In 2009/10 further restructuring took place resulting in a premium of £3.0m, of which £1.0m was apportioned to the HRA. The charge to the HRA represents the amount of the debt redemption premium, attributed to the HRA, amortised in the period.

## 18. ACCUMULATED BALANCE

	<b>31 March 2011 £000</b>	<b>31 March 2010 £000</b>
HRA General Reserve	1,200	800
Housing Repairs Account	4,937	3,681
	<b>6,137</b>	<b>4,481</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 19. ACCOUNTS IN ADDITIONAL FORMAT

This is an HRA summary in the same format as the Rent and Budget Setting annual report.

#### HOUSING REVENUE ACCOUNT - INCOME AND EXPENDITURE ACCOUNTS FOR THE YEARS ENDED 31 MARCH 2010 AND 31 MARCH 2011

	2010/11 £000	2009/10 £000
<b>Income</b>		
Dwelling Rents and Service Charges	(64,143)	(63,245)
Garage Rents	(1,230)	(1,296)
Other Charges and Income	(2,009)	(2,232)
Interest on Council Mortgages	(10)	(13)
	<u>(67,392)</u>	<u>(66,786)</u>
<b>Expenditure</b>		
Management - General	12,707	12,458
Management - Special	7,591	7,968
Maintenance and Repairs	13,067	13,930
Depreciation	11,856	10,773
Government Grants Deferred	0	345
Capital Financing	3,982	3,568
Provision for Doubtful Debts	517	683
Negative Subsidy Payable to Communities and Local Government	16,016	16,316
	<u>65,736</u>	<u>66,041</u>
<b>(Deficit)/Surplus</b>	<u>(1,656)</u>	<u>(745)</u>
Surplus at beginning of year	(4,481)	(3,736)
Surplus/(Deficit) for the year	(1,656)	(745)
<b>Surplus at end of year</b>	<u>(6,137)</u>	<u>(4,481)</u>

# COLLECTION FUND

## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

	Note No.	2010/11 £000	2009/10 £000
<b>INCOME</b>			
Council Tax collectable	2	158,407	158,580
Transfers from the General Fund			
- Council Tax benefits	4	35,509	193,916
National Non-Domestic Rates collectable	1(a)		105,095
Crossrail Business Rate Supplement collectable	1(b)		3,548
Total Income		302,559	300,036
<b>EXPENDITURE</b>			
Demands and precepts	3		
- London Borough of Croydon		145,525	143,383
- Greater London Authority		39,202	39,040
National Non-Domestic Rates	1		184,727
- Payment to national pool		104,660	107,760
- Costs of collection		435	450
Crossrail Business Rate Supplement collectable			105,095
- Payment to national pool		3,505	0
- Costs of collection		43	0
Bad and doubtful debts			3,548
- Council Tax Write-offs		5,986	5,978
- Provisions		(906)	3,425
Total Expenditure		298,450	300,036
(Surplus)/deficit for year		(4,109)	0
Fund balance brought forward		0	0
<b>Fund balance carried forward</b>		(4,109)	0
<b>Allocation of surplus</b>			
- LB Croydon (transferred to Collection Fund Adjustment Account)			3,237
- GLA (Creditor)			872
<b>Total Fund balance</b>		4,109	0

## INTRODUCTION

This account summarises the transactions of the Collection Fund, the purpose of which is to receive Council Tax and National Non-Domestic Rates, collected on behalf of the Government, and apply the proceeds. The Council, together with the Greater London Authority, demands/precepts upon the fund to meet its expenditure. The amounts of the demands/precepts are set at the beginning of the year and cannot vary.

The account is a statutory fund required by the Local Government Finance Act 1988, separate from the other revenue accounts of the Council, whose transactions are wholly prescribed by legislation. The Council has no discretion to determine which receipts and payments are accounted for within and outside the fund.

The Collection Fund is consolidated into the Council's Balance Sheet; there is no requirement to prepare a separate Balance Sheet.

### 1 (a). NATIONAL NON-DOMESTIC RATES COLLECTABLE

In accordance with the arrangements for uniform business rates, the Council collects National Non-Domestic Rates for the Borough of Croydon. The amount collected is based upon local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the National Non-Domestic Rate pool) managed by the Government. In return the Government makes payments to local Authorities from the pool. Councils receive a fixed share of their Formula Grant as Redistributed Business Rate income based on the total of the Distributable Amount as a proportion of the total of Revenue Support Grant plus the Distributable Amount. The amount is disclosed under Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

The total Non-Domestic Rateable value at 31 March 2011 was £296.9m (£269.2m at 31 March 2010), and the 2010/11 Non-Domestic Rate multipliers were 41.4p (48.5p in 2009/10) and 40.7p for small businesses (48.1p in 2009/10).

### 1 (b). CROSSRAIL BUSINESS RATE SUPPLEMENT

The Greater London Authority (GLA) introduced a business rate supplement (BRS) on 1 April 2010 to finance £4.1 billion of the costs of the £15.9 billion Crossrail project. This is levied at a rate of 2p (the BRS multiplier) on non-domestic properties in London with a rateable value of over £55,000 (i.e. £55,001 or more). The total amount collected less certain relief and other deductions is paid to Greater London Authority.

## 2. COUNCIL TAX BASE

Council Tax is a banded capital value based property tax with a 25% discount where only one adult is liable. Under the arrangements for Council Tax, each domestic property within the Council's area was assigned to one of eight valuation bands based on the estimated market value at 1 April 1991. The income derives from the tax levied according to which of the 8 bands a property has been assigned.

Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the precepting Authorities and the Council for the forthcoming year and dividing this by the Council Tax Base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent). The basic amount of Council Tax so calculated for a Band D property, £1,459.93 for 2010/11 (£1,447.71 for 2009/10) is multiplied by the proportion specified for the particular band to give an individual amount due.

## NOTES TO THE COLLECTION FUND

### 2. COUNCIL TAX BASE (continued)

Council Tax bills are based on the following proportions and property numbers for Bands A to H:

#### Council Tax Base 2010/11

Valuation Band	Number of Chargeable Dwellings	Band D Proportion	Band D Equivalent Dwellings	Council Tax £.pp	Council Tax Income £000
Band A	1,806	6/9	1,204	973.29	1,758
Band B	16,366	7/9	12,729	1,135.50	18,584
Band C	37,671	8/9	33,485	1,297.72	48,886
Band D	31,039	1	31,039	1,459.93	45,315
Band E	19,607	11/9	23,964	1,784.36	34,986
Band F	10,688	13/9	15,438	2,108.79	22,539
Band G	6,889	15/9	11,482	2,433.22	16,762
Band H	552	18/9	1,104	2,919.86	1,612
Total			130,445		190,442
Multiplied by estimated collection rate			97%		
Number of band D equivalent dwellings			126,531		
Total of Demands/Precepts for year			184,727		
Adjustments during the year (including prior years)					3,474
<b>Final collectable amount</b>					193,916
Income per Collection Fund					
Council Tax collectable					158,407
Council Tax benefits					35,509
<b>Final collectable amount</b>					193,916

### 3. DEMANDS AND PRECEPTS

The Collection Fund is required to meet in full during the financial year precepts and demands made on it by precepting Authorities and its own requirement as the billing Authority. Croydon Council's only precepting body is the Greater London Authority (GLA). The GLA requirement includes the budgets of its four functional bodies i.e. the Metropolitan Police Authority, the London Fire and Emergency Planning Authority, Transport for London and the London Development Agency.

This item therefore comprises the precept informed to Croydon by the GLA and its own demand, determined as required by the 1992 Act before the start of the financial year. The Authority's own payment is made direct to the General Fund.

	<b>2010/11 £.pp</b>	<b>2009/10 £.pp</b>
Band D equivalent Council Tax charge	1,459.93	1,447.71
Split thereof:		
Croydon	1,150.11	1,137.89
Greater London Authority	309.82	309.82
<b>Total</b>	<b>1,459.93</b>	<b>1,447.71</b>
Payment to Croydon		
Share of Band D equivalent Council Tax charge	1,150.11	1,137.89
Number of Band D equivalent dwellings	126,531	126,008
<b>Total</b>	<b>145,524,568.41</b>	<b>143,383,243.12</b>
Rounded to £000's	145,525	143,383
Payment to the Greater London Authority		
Share of Band D equivalent Council Tax charge	309.82	309.82
Number of Band D equivalent dwellings	126,531	126,008
<b>Total</b>	<b>39,201,834.42</b>	<b>39,039,798.56</b>
Rounded to £000's	39,202	39,040

### 4. TRANSFERS FROM THE GENERAL FUND - COUNCIL TAX BENEFITS

Council Tax benefit is determined in accordance with the Secretary of State's directions as to the total of individual entitlements to reductions in the amounts of Council Tax payable in the year (subject to adjustments for earlier years not accounted for and for accruals). Credits are made in the Collection Fund and matched by equal charges to the General Fund for Council Tax benefit granted. By this mechanism the Collection Fund is fully reimbursed for all reliefs provided. All other transactions in relation to reimbursement by the Government of benefits and reliefs granted and the costs of administration are accounted for in the General Fund. Consequently, any net cost is borne by the General Fund.

**1. BASIS OF PREPARATION - SINGLE ENTITY AND GROUP ACCOUNTS**

The financial statements have been prepared in accordance with the 2010/11 Code of Practice on Local Authority Accounting in the United Kingdom (the Code), and the Best Value Accounting Code of Practice (BVACOP), both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Application of the 2010/11 Code represents the first occasion that Local Authority financial statements have been prepared on the basis of International Financial Reporting Standards (IFRS), to the extent that it is meaningful and appropriate in the public sector context. Previously financial statements were based on UK Generally Accepted Accounting Practice (UK GAAP); they have been superseded by IFRS. Consequently, there are significant differences in the presentation and content of the financial statements. A summary of the changes can be found in note 53.

The 2010/11 Code includes the statutory provisions for the preparation of financial statements and the requirements of existing IFRS accounting standards, except to the extent that they conflict with statute. Additional guidance within the Code is drawn from International Public Sector Accounting Standards (IPSAS), similarly, except to the extent that they conflict with statute.

**Group Accounts - Recognition of Group Entities and Basis of Consolidation**

Group Accounts are the financial statements of a group, plus the investments in associates and interests in joint ventures (jointly controlled entities), presented as a single economic entity.

The council has no subsidiaries or associates. There is one joint venture company, "Croydon Council Urban Regeneration Vehicle LLP". A joint venture exists where two or more parties are committed to undertaking an activity that is subject to joint control.

The joint venture has been accounted for in the accounts using the equity method. This is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post acquisition change in the investor's share of the net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

The Group Accounts have been prepared using the accounting policies set out below and on the following pages with the exception of Value Added Tax. VAT paid by other group entities is accounted for in the Group Income and Expenditure Account to the extent that is irrecoverable from HM Revenue and Customs.

**Events after the Reporting Period**

Where an event occurs, either favourable or unfavourable, after the reporting period but before the date the financial statements are authorised that is indicative of conditions that arose after the reporting date, then the financial statements will not be adjusted (a non-adjusting event). Material non-adjusting events will be disclosed in the notes to the financial statements.

**The Statements Prepared**

The Comprehensive Income and Expenditure (CI&E) statement presents the results of the Council's activities measured under the rules set out in the Code. Different rules are applied to measure the results for the purpose of setting council tax. The accumulated amount of the differences are set out in the Movement in Reserves statement (MIRS) and explained in the notes to the financial statements.

The Balance Sheet shows the value, as at the balance sheet date, of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by reserves held by the authority.

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.



**The Selection of Accounting Policies**

In those instances where the Code permits a choice of accounting policy the selection has been made to facilitate a true and fair presentation of the authority's results.

An effect of the transition to the IFRS based Code has been a revision in accounting policies to those required under existing IFRS accounting standards, except to the extent that they conflict with statute.

In future years the accounting policies selected, as amended from time to time by revised editions of the Code, will be applied consistently when dealing with items considered material in relation to the accounts.

**2. UNDERLYING ACCOUNTING ASSUMPTIONS**

The Accounts have been prepared based on the following underlying assumptions:

**Accruals**

The Council has prepared its financial statements, except for the Statement of Cash Flow, using the accruals basis of accounting, i.e. the authority recognises items as assets, liabilities, income and expenses when they satisfy the definitions and recognition criteria for those elements in the Code. The accruals basis of accounting requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.

**Going Concern**

The Council's financial statements have been prepared on a going concern basis; that is, the accounts have been prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under machinery of government changes, such as local government reorganisation, do not negate the presumption of going concern.

**3. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS****Accounting Policies**

Changes in accounting policies are only made when required by:  
an amendment to the IFRS Code; or  
it is a statutory requirement; or  
the change provides more reliable information about the effect of transactions, other events and conditions relevant to the authority's financial position or financial performance.

Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

**Accounting Estimates**

Changes in accounting estimates are accounted for prospectively.

**Material Errors**

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The most critical accounting estimates are explained in the disclosure notes to the accounts.

**5. POLICIES RELATING TO TWO, OR MORE, ELEMENTS OF THE FINANCIAL STATEMENTS****5.1 VAT**

Income and expenditure excludes any amounts related to VAT because all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

**5.2 FOREIGN CURRENCY TRANSLATION**

Transactions which are denominated in a foreign currency are translated to sterling at the exchange rate ruling on the date of each transaction.

**5.3 BUSINESS IMPROVEMENT DISTRICT SCHEMES (BID)**

BID schemes are projects for the benefit of a particular area that are financed by a BID levy paid by the non-domestic rate payers. The authority acts as an agent to the scheme with only the following amounts included in the Comprehensive Income and Expenditure Account (CI&E):

The contribution made by the authority to the BID project (i.e. grant-in-aid), which is disclosed as service expenditure under the relevant service in the CI&E;  
BID levy collection costs and associated (reimbursement) income, which are disclosed in Net Cost of Services under the relevant service in the CI&E; and  
Income from services supplied by the authority to the BID scheme on a paid basis, are accounted for as a trading activity as part of Net Operating Costs in the CI&E.

**5.4 LANDFILL ALLOWANCES TRADING SCHEME (LATS)**

The Landfill Allowances Trading Scheme gives rise to:

- a) an asset for allowances held
- b) LATS grant income
- c) a liability for actual Biodegradable Municipal Waste (BMW) landfill usage.

LATS allowances held, however acquired, are upon recognition measured at fair value, and reported as assets within the classification of current assets. At the reporting date LATS allowances are remeasured at the lower of cost or net realisable value.

Landfill allowances are issued free by DEFRA. The fair value of the allowances issued to the authority are accounted for as government grant.

As landfill is used, a liability is recognised for actual BMW landfill usage. This is a liability that falls within the scope of Provisions, Contingent Liabilities and Contingent Assets. The liability is measured at the present market price, at the reporting date, of the number of allowances required to cover actual BMW landfill usage for the year.

LATS permits can also be traded between waste disposal authorities. This will be at a price agreed between the two parties and the average price traded throughout the year for all waste disposal authorities is the recommended CIPFA method of valuing the LATS permits issued and used.

**5.5 OPERATING SEGMENTS**

The Council presents its analysis of the income and expenditure on the basis that they are reported as part of internal management reporting. The Council's internal arrangements include items that do not form part of the Comprehensive Income and Expenditure Statement (for example, that statutory provisions for the repayment of debt) and excludes items that do not form part of the Comprehensive Income and Expenditure Statement (for example, depreciation). The Council has produced a reconciliation between the segment reporting analysis and the net cost of services in the Comprehensive Income and Expenditure Statement.

**5.6 MINIMUM REVENUE PROVISION**

The Minimum Revenue Provision (MRP) is the minimum amount that must be charged to an Authority's Income and Expenditure Account in respect of the repayment of debt.

MRP is calculated in accordance with the requirements issued by the Secretary of State under section 21(1A) of the Local Government Act 2003, and in accordance with the guidance issued by the Department for Communities and Local Government in 2008. No MRP is charged to the Income and Expenditure Account in respect of the Housing Revenue Account (HRA).

With regard to the new Public Service Delivery Hub, MRP will attach to the capital repayment element of the finance leasing payments, and be charged to the Comprehensive Income and Expenditure Account starting in the financial year after construction has been completed, in accordance with the above mentioned capital financing regulations.

## 6. NON CURRENT ASSETS

### 6.1 Property, Plant and Equipment

Property, plant and equipment are assets that have physical substance and are held by the Council in the provision of services or for administrative purposes on a continuing basis.

Assets in this category include:

**Council Dwellings** - this includes housing units, garages and parking spaces used by HRA resident lease holders but excludes non residential items such as car park spaces used by non HRA resident lease holders, shops, sheltered housing, and related fixed equipment, furniture and plant which should be accounted for under the relevant non-dwelling heading if material.

**Assets Under Construction** - these are assets that have not yet been completed.

**Other Land and Buildings** - this includes all land and buildings accounted other than Council Dwellings.

**Vehicles Plant, Furniture and Equipment** - includes all items that are not a fixture or fitting to a building.

**Infrastructure Assets** - includes facilities required to enable other developments to take place (eg. roads and street lighting).

**Community Assets** - are assets the council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal (eg. parks and historic buildings not used in the direct provision of services).

#### Recognition

All expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis. Expenditure on the acquisition of an item of property, plant and equipment which adds to, and not merely maintains, the value of an existing asset, is capitalised.

#### Measurement

Property, plant and equipment upon recognition are measured at cost, which comprises:

purchase price

any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and

the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

#### Measurement after recognition

Infrastructure assets, community assets, and assets under construction (excluding investment property under construction) are measured at historical cost.

All other classes of asset are measured at fair value.

If there is no market-based evidence of fair value because of the specialist nature of the asset, Depreciated Replacement Cost (DRC) is used as an approximation of fair value.

The fair value of council houses is their Existing Use Value multiplied by the Social Housing Factor (EUV-SH).

Property, plant and equipment included in the balance sheet at fair value, and subject to depreciation, are formally revalued on a five year rolling programme and the revised amount included in the balance sheet.

Property, plant and equipment included in the balance sheet at fair value, and not subject to depreciation, are formally reviewed at the end of each financial year for evidence of revaluation loss or impairment.

Council dwellings are revalued annually using the "beacon" method, at the beginning of the financial year and reviewed at the end of the financial year using the Land Registry Index. If values have changed by more than £10m and 10% an adjustment is made.

#### Revaluation

A revaluation gain is first used to reverse a previous revaluation decrease recognised in the CI&E on the same asset; any further gain above that required to eliminate the previously recognised decrease is credited to the Revaluation Reserve.

A revaluation decrease which represents a significant decline in an asset's carrying amount during the period that is not specific to the asset, as opposed to an impairment which is, is recognised in the Revaluation Reserve to the extent of any balance existing for that asset and thereafter in the CI&E.

Revaluation losses and the reversal of revaluation losses are not proper charges to the General Fund. Such amounts are transferred to the Capital Adjustment Account through the Movement in Reserves statement.

## **Impairment**

An impairment occurs when the carrying value of an asset in the Balance Sheet exceeds its recoverable amount. The recoverable amount of an asset is the higher of:

the fair value less costs to sell; and

the value in use - the present value of the asset's remaining service potential.

An impairment loss is first recognised in the Revaluation Reserve to the extent of any balance existing for that asset and thereafter in the CI&E. An impairment loss recognised in the CI&E is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss. Impairment losses recognised in the Revaluation Reserve are not reversed.

Impairment losses and the reversal of impairment losses are not proper charges to the General Fund. Such amounts are transferred to the Capital Adjustment Account through the Movement in Reserves statement.

## **Disposals**

Where an item of property, plant and equipment is disposed of, the gain or loss is credited or debited to the Comprehensive Income and Expenditure Account.

Under statute, gains and losses from the sale of assets (or revaluation gains or losses) cannot be used to lower council tax. Proceeds from disposals in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings and 50% for land and other assets) is payable to the Government. A balance of the receipts is credited to the Usable Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow.

An adjustment is made in the Movement in Reserves statement for the differences between surpluses that can be recognised in the Comprehensive Income and Expenditure Account and the amounts that can be taken into account as a consequence of statute.

## **Depreciation**

Land is not depreciated.

Operational buildings used within the Council's operations are depreciated over their useful economic life. Operational buildings are all buildings accounted for other than in the Housing Revenue Account, including residential units, and equipment, furniture and plant fixed to those buildings.

Depreciation that equates to the Major Repairs Allowance as specified by the Department for Communities and Local Government is charged on Council dwellings. Council dwellings include housing units, but excludes non-residential items such as car parking spaces and shops accounted for in the Housing Revenue Account, sheltered housing, and related fixed equipment, furniture and plant, which should be accounted for under the relevant non-dwelling headings if material.

Vehicle, plant, furniture and equipment are depreciated over their useful life which is determined at the time of purchase. These assets include all such items that are not a fixture or fitting to a building.

Infrastructure assets are depreciated over their useful life and include roads and street lighting.

Depreciation is not charged on community assets that are held at historic cost. Community assets are those assets that the Council intends to hold in perpetuity, that have no determinable useful life and may have restrictions on their disposal. Examples of assets that fall into this category include parks and historic buildings not used in the direct provision of the Council's services.

Assets under Construction are assets that are still being developed and are not complete. Depreciation is not charged on such assets until they complete and brought into use.

## **Componentisation**

The Council separately identifies and depreciates each part of an item of property, plant and equipment where the cost of the separate part is significant in relation to the overall total cost of the asset. Where the Council replaces or restores a separately identified component, it derecognises the carrying value of the old component and recognises the carrying value of the new component. The Council's policy is to have 3 different components. These are:

- Structure
- Mechanical and electrical
- Outside space

## 6.2 Investment Property

The Council's investment properties are those that the Council holds to earn rentals or for capital appreciation or both, rather than for use in service delivery.

The Council's investment properties are measured at cost on initial recognition and subsequently measured at their fair value on an annual basis. Gains and losses arising on revaluation are recognised in the CI&E in the period in which they arise, and are disclosed separately. Depreciation is not charged on investment property.

## 6.3 Finance Leases

The Council's leases are classified as either operating or finance leases depending on the extent that the risks and rewards incidental to ownership of the leased assets lie with the Council or the counterparty.

When the council is the lessee of an asset and assumes substantially all the risks and rewards of ownership, the asset is included within non current assets, and depreciated if appropriate, in exactly the same way as a purchased asset. The leasing commitment is disclosed as a long term liability, "Obligations Under Finance Leases" and the rent payable is split between repayment of the principal sum and the finance charge.

When the council is the lessor of an asset and transfers to the counterparty substantially all the risks and rewards of ownership, that asset is written out of the Balance Sheet and replaced by a long term receivable at an amount equal to the net investment in the lease. The rent received is split between repayment of the principal sum and the finance income.

## 6.4 Operating Leases

All leases other than finance leases are operating leases. Rental received / paid is credited / debited to the CI&E on a straight line basis over the duration of the lease, irrespective of whether it is received / paid that way, unless in a specific instance a different allocation better represents the economic reality of the circumstances.

### Lessor Leases

The treatment adopted in the London Borough of Croydon Accounts for all long term leases of land, in accordance with the amendment to IAS17, is to account for them as finance leases. As a consequence any lease premium received will continue to be regarded as a capital receipt and in the absence of any rental it will not be necessary to set up a long term receivable.

### Lessee Leases

The treatment adopted in the London Borough of Croydon Accounts for all long term leases of land, in accordance with the amendment to IAS17, is to account for them as finance leases. As a consequence any lease premium paid will continue to be regarded as a capital payment and in the absence of any rental it will not be necessary to set up a long term payable.

## 6.5 Private Finance Initiative (PFI) Contracts

PFI contracts typically involve a private sector entity (the operator) constructing or enhancing an asset used in the provision of a public service, and operating and maintaining that asset for a specified period of time in return for payments made by the Council (the grantor).

The Council accounts for its PFI contracts in accordance with the requirements of IFRIC 12 as interpreted in the HM Treasury issued Financial Reporting Manual (FReM). The Council as the grantor recognises a PFI asset on its balance sheet if:

- the asset meets the FReM's definition of infrastructure asset
- the Council controls what services the operator must provide with the asset, to whom and at what price
- the Council controls any significant residual interest in the asset at the end of the arrangement's term.

Subsequently, the annual unitary payment paid by the authority to the operator is accounted for in the financial statements of the authority as a mixture of debt service (interest and principal) and current expenditure on services, that are delivered by the operator in addition to the underlying asset. Further, the Council records depreciation and makes a Minimum Repayment Provision in a way consistent with similarly financed non-current assets.

## 6.6 Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance. The Council recognises an intangible asset if:

it is probable that future economic benefits, or service potential will flow from the asset to the authority;  
the asset is controlled by the authority either through custody or legal rights; and  
the cost of the asset can be reliably measured.

The authority's intangible assets are its purchased software licences. These are measured on initial recognition at cost and subsequently at cost less accumulated amortisation and any impairment loss. Intangible assets are amortised on a straight-line over their useful economic lives. The useful economic lives of intangible assets are reviewed at the end of each reporting period and revised if necessary.

## 6.7 Non Current Assets Held for Sale

The Council's non current assets held for sale are those assets surplus to the Council's requirements and for which the Council will recover their carrying value principally through sale rather than through continuing use. The assets must be available for sale in their present condition and their sale must be highly probable as at the Council's reporting date.

Non current assets held for sale by the Council are measured at the lower of their carrying amount or their fair value less costs to sell. Depreciation is not charged on assets classified as held for sale.

## 6.8 Financial Instruments

The Council's financial assets are classified into the following categories:

fair value through profit or loss  
loans and receivables  
available for sale.

Fair value through profit or loss financial assets include derivative instruments that have not been designated as effective hedging instruments with any change in the fair value recognised in the surplus or deficit on the provision of services.

Loans and receivables are those financial assets that have a fixed or determinable payments and that are not quoted in an active market. Loans and receivables are measured at amortised cost using the 'effective interest rate'. 'Amortised cost' is the amount at which a financial asset or liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between the initial amount and the maturity amount less any reduction for impairment.

The authority's available for sale financial assets are measured at fair value, with fair value gains and losses recognised in Other Comprehensive Income and Expenditure and taken to the Available-for-Sale Reserve. When the authority derecognises an available-for-sale financial asset, the cumulative gain or loss previously recognised in Other Comprehensive Income and Expenditure is transferred from the Available-for-Sale Reserve and recognised in the surplus or deficit on the provision of services.

**7. CURRENT ASSETS****7.1 Inventories**

The authority's inventories include items it holds as stores in hand and that are held in the form of materials or supplies to be consumed in the rendering of its services. Inventories are recognised on the Council's balance sheet and measured at:

the lower of cost and net realisable value, except where inventories are acquired through a non exchange transaction in which case their cost is deemed to be their fair value at the date of acquisition; or

the lower of cost and current replacement cost where they are held for distribution at no charge or for a nominal charge, or consumption in the production process of goods to be distributed at no charge or for a nominal charge.

**7.2 Cash and Cash Equivalents**

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 30 days or less, that had a short maturity when acquired, are convertible to known amounts of cash with insignificant risk of change in value, and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes.

**7.3 Debtors**

Debtors are recognised when the ordered goods or services have been delivered or rendered, and measured at the fair value of the consideration to be received.

**8. FINANCIAL INSTRUMENTS**

The Council's financial liabilities are classified into the following categories:

fair value through profit or loss  
amortised cost.

Fair value through profit or loss financial liabilities include derivative instruments that have not been designated as effective hedging instruments with any change in the fair value recognised in the surplus or deficit on the provision of services.

Financial liabilities at amortised cost constitute the residual category. All liabilities other than liabilities held for trading shall be classified automatically into this category.

**9. CURRENT LIABILITIES****9.1 Creditors**

Creditors are recognised when the ordered goods or services have been delivered or rendered, and measured at the fair value of the consideration to be paid.



## 9.2 Provisions, Contingent Liabilities and Contingent Assets

### Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognised in the Council's accounts when:

- the Council has a present obligation (legal or constructive) as a result of a past event;
- it is probable that a transfer of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions are charged to appropriate revenue accounts and are reviewed at each balance sheet date and adjusted to reflect the current best estimate required to settle the obligation.

Provisions have been established for employee benefits such as holiday pay for the first time in these accounts.

### Contingent Liabilities

A contingent liability is:

a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority;

a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or

the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised within the financial statements, but are disclosed in the notes to the accounts.

### Contingent Assets

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future event not wholly within the control of the authority.

Contingent assets are not recognised within the financial statements, but are disclosed in the notes to the accounts.

## 10. USABLE AND UNUSABLE RESERVES

The authority has two categories of reserves, usable and unusable:

### Usable Reserves

These are reserves created by the authority and earmarked for future policy purposes or to provide for contingencies. The reserves are created and employed by transfers through the Movement in Reserves Statement.

### Unusable Reserves

These are established by the impact of accounting and statutory arrangements and are kept to manage the accounting process; they do not represent usable resources for the authority.

## 11. REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Consideration is in the form of cash and cash equivalents. The amount of revenue is the amount of cash and cash equivalents received.

## 12. GOVERNMENT GRANTS, CONTRIBUTIONS AND DONATED ASSETS

Government grants and contributions relating to capital and revenue expenditure are accounted for on an accrual basis, and recognised in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition(s) that the Council has not satisfied.

Where a capital grant or contribution has been received by the Council, and conditions remain outstanding at the Council's balance sheet date, the grant or contribution is recognised as part of the Capital Grants Receipts in Advance.

**Area Based Grants (ABG)**

ABG is a non-ringfenced general grant, no conditions on use is imposed ensuring a full local control over how funding can be used. ABG is paid directly to the Council. It is a general grant and therefore is included in the Comprehensive Income and Expenditure Statement with other income sources.

**Donated Assets**

Where a donated asset is transferred to the Council for nil consideration it is recognised immediately at its fair value as an asset on the Council's balance sheet. The asset is recognised in the Comprehensive Income and Expenditure Statement as income except to the extent that the transfer has a condition(s) that the Council is yet to satisfy. In this case the asset is credited to the Donated Assets Account and is recognised in the Comprehensive Income and Expenditure Statement once the condition(s) has been satisfied.

**13. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the balance sheet as an item of property, plant and equipment. The purpose of this is to enable it to be funded from capital resources rather than charged to the General Fund and impact on that year's Council Tax.

Items classified as such are generally grants and expenditure on property not owned by the Council, and amounts directed under statute.

Expenditure of this kind is charged to the CI&E in accordance with the general requirements of the Code. Any statutory provision that allows capital resources to meet the expenditure is accounted for by charging it to the Capital Adjustment Account and crediting the General Fund Balance and showing as a reconciling item in the Movement in Reserves statement.

**14. BORROWING COSTS**

The Council does not capitalise borrowing costs. All borrowing costs are expensed in the year they occur.

**15. OVERHEADS**

All overheads and support services are fully recharged to the service expenditure headings shown in the Comprehensive Income and Expenditure Account in order to provide a consistent basis for all statutory financial disclosures.

Expenditure on Corporate and Democratic Core and Non-Distributed costs is not charged to services, but is recognised separately in the accounts.

**16. EMPLOYEE BENEFITS****Benefits Payable During Employment**

Salaries, wages and employment related payments are recognised in the period in which the service is received from employees. The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

**Termination Benefits**

Termination benefits are employee benefits payable as a result of either:

an entity's decision to terminate an employee's employment before the normal retirement date; or  
an employee's decision to accept voluntary redundancy in exchange for those benefits.

Termination benefits do not provide the authority with future economic benefits and are recognised in the CI&E immediately the liability arises, this occurs when, and only when, the authority is demonstrably committed to either:

terminate the employment of an employee or group of employees before the normal retirement date; or  
provide termination benefits as a result of an offer made in order to encourage voluntary termination of employment.

## Pensions

The pension related entries that appear in the Council's financial statements relate to the Council's financial obligations as an employing Authority. The Council has employees who are members of the Local Government Pension Scheme (LGPS) and teachers who are members of the Teachers Pension Scheme. Different accounting policies are adopted in respect of these schemes based on the application of the Code.

The LGPS is a defined benefit scheme and the accounting procedure is to:

- measure the scheme's assets at fair value;
- measure scheme liabilities using projected unit method;
- discount scheme liabilities at the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities;
- undertake a full actuarial valuation at intervals not exceeding three years and update the valuation at each balance sheet date;
- recognise the operating costs of providing retirement benefits to employees in the accounting periods in which the benefits are earned by employees, and recognise the related finance costs and other changes in value of the assets and liabilities in the period in which they arise.

The balance sheet recognises the full liability that the Council has for meeting the future cost of retirement benefits that will arise from years of service earned by employees up to the balance sheet date net of the contributions paid into the Fund and the investment income they have generated.

The Comprehensive Income and Expenditure Account recognises the cost of retirement benefits when they are earned by employees, rather than when the benefits are paid, therefore the following amounts are charged or credited to the Comprehensive Income and Expenditure Account:

- current service cost: the increase in liabilities as a result of years of service earned this year - charged to the service expenditure area for which the employees worked;
- past service cost: the increase in liabilities arising from current year decisions whose effect relates to earlier years service charged to Non Distributed Costs;
- interest cost: expected increase in the present value of liabilities during the year as they move closer to being paid - charged to Net Operating Expenditure;
- expected return on assets: the annual investment return on the Pension Fund assets attributable to the Council based on an average of the expected long term return - credited to Net Operating Expenditure;
- gains and losses on settlements and curtailments: the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited to Net Cost of Services as part of Non-Distributed Costs;
- contributions paid to the Council's Pension Fund: cash paid as employers' contributions to the Pension Fund.

Actuarial Gains and Losses are charged in the net pensions liability that arise because events have not coincided with the assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are debited or credited to the Movement in Reserves Statement.

The charges and credits listed below, which form part of the Pension Fund liability, are removed from the Comprehensive Income and Expenditure Account, as statutory provisions prohibit them from being chargeable to council tax:

- current service cost
- past service cost
- curtailments and settlements
- interest on pension liabilities
- expected return on fund assets

In the Movement in Reserves Statement there is a transfer to remove the above and replace them with the employer's contribution for the year.

For detailed information of the LGPS Pension Fund, a separate set of Pension Fund accounts are prepared by the Council in discharging its function as a Pensions Administering Authority.

The Teachers Pension Scheme is a defined benefit scheme, however the arrangements for this scheme mean that liabilities for the benefits cannot be identified by the Council. The scheme is therefore accounted for as if it were a defined contribution scheme.



# GROUP COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

	Gross £000	2010/11 Income £000	Net £000	2009/10 Net £000
<b>Gross expenditure, gross income and net expenditure of continuing operations</b>				
Central Services to the Public	12,995	(4,670)	8,325	6,857
Cultural, Environmental, Regulatory and Planning Services	76,640	(14,805)	61,835	62,217
Education Services	360,082	(330,259)	29,824	41,926
Highways Transport Services	67,887	(30,424)	37,463	32,965
Local Authority Housing (HRA)	311,410	(86,465)	224,945	(5,142)
Other Housing Services	288,938	(270,123)	18,815	10,313
Social Care	212,785	(77,930)	134,855	129,986
Corporate and Democratic Core	18,572	(13,829)	4,743	3,900
Non-Distributed Costs	0	(52,623)	(52,623)	1,826
<b>Net cost of services</b>	1,349,309	(881,128)	468,181	284,848
<b>Other operating expenditure</b>				
Levies payable			2,304	2,336
Payments to Housing capital receipts to government pool			1,141	613
Gain/loss on disposal of non current (fixed assets)			11,006	19,930
Loss on revaluation of non current assets			(90,965)	63,125
<b>Financing and Investment Income and Expenditure</b>				
Interest payable on debt			13,412	9,830
Interest payable on PFI unitary payments			3,018	1,977
Premium on early repayment of debt			136	27
Impairment of financial instruments			181	3,280
Pensions interest cost and expected return on pension assets			26,355	29,641
Investment interest income			(5,953)	(6,752)
Interest received on finance leases (lessor)			(272)	(312)
Changes in fair value of investment properties included in net cost of services			(458)	(9,481)
Net surplus/deficit - trading undertakings			278	218
<b>Taxation and Non-Specific Grant Income</b>				
Recognised capital grants and contributions			(34,746)	(29,426)
Council Tax			(148,762)	(143,383)
NDR			(103,505)	(94,915)
RSG			(15,030)	(21,908)
Non Service related government grants			(30,288)	(25,709)
<b>(Surplus) or Deficit on Provision of Services</b>			96,033	83,939
<b>Share of (Surplus)/Deficit of provision of Services by Joint Venture</b>			586	(1,291)
<b>Group (Surplus)/Deficit</b>			96,619	82,648
<b>(Surplus) or deficit on revaluation of non current assets</b>				
Revaluation gains			(31,141)	(47,222)
Write out assets reclassified as finance leases			0	28,924
Elimination of Revaluation Reserve for Investment Properties - CI&E offset			5,421	(132)
			0	4,799
<b>Actuarial gains/losses on pension assets/liabilities - matching the entry to the pensions reserve</b>			(132,846)	111,140
<b>Other gains/losses required to be included in the statement</b>			0	0
<b>Other Comprehensive Income and Expenditure</b>			(158,566)	97,509
<b>Total Comprehensive Income and Expenditure</b>			(61,947)	180,157

**GROUP MOVEMENT IN RESERVES STATEMENT 2010/11**

	General Fund Balance £000	HRA Balance £000	Earmarked GF Reserves Balance £000	Capital Receipts Balance £000	Capital Grant Unapplied Balance £000	Major Repairs Reserve £000	Total Usable reserves revised Balance £000
<b>Balances b/f at 31 March 2010</b>	11,597	4,481	52,914	9,128	651	0	78,771
<b>Movement in reserves during 2009/10</b>							
<b>Surplus or (deficit) on provision of services</b>	21,924	(117,957)					(96,033)
<b>Other Comprehensive Expenditure and Income</b>							
Revaluation Gains							0
Elimination of Revaluation Reserve for Investment							0
Properties - Cl&E offset							0
Revaluation losses (chargeable to revaluation reserve)							0
Movement in pensions reserve							0
Total Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0
<b>Total Comprehensive Expenditure &amp; Income</b>	21,924	(117,957)	0	0	0	0	(96,033)
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>							
<b>Amounts included in Cl&amp;E to be removed for determining movement in General Fund</b>							
Depreciation (excl HRA)	37,631						37,631
Amortisation of Intangibles	1,585	3					1,588
Excess of depreciation charged to HRA services over the MRA element of housing subsidy		476				(476)	0
Impairment/revaluation losses charged to Cl&E	21,190	243,553					264,743
Impairment/revaluation gains reversing losses previously charged to the Cl&E	(162)	(112,045)					(112,207)
Movement in market value of investment property	2,551						2,551
Elimination of revaluation reserve for investment properties							0
Capital grant and contributions	(47,836)	(8,353)			6,372		(49,817)
Revenue expenditure funded from capital under statute	17,032	287					17,319
Profit/loss on sale of non current assets	12,773	(1,767)		2,687			13,693
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,622)	(504)					(6,126)
Lessor Leases - Regulation 4 Mitigation	2,345			(8,900)			(6,555)
Gain/loss on revaluation of available for sale financial instruments	(41)						(41)
Amount by which council tax income and residual community charge adjustment included in the Cl&E statement is different from the amount taken to the General Fund in accordance with regulation	(3,237)						(3,237)
Compensated absences	(18)	(26)					(44)
<b>Amounts excluded from Cl&amp;E to be included for determining movement in General Fund</b>							
Statutory provision for the repayment of debt	(8,771)						(8,771)
Amortisation of premiums and discounts	(86)	(488)					(574)
HRA capital receipts to housing central pool		1,141		(1,141)			0
Employer's pensions contributions	(29,711)	(2,664)					(32,375)
Capital expenditure charged to general fund	(17,122)						(17,122)
<b>Other adjustments</b>							
Major Repairs Allowance credited to the HRA		11,856					11,856
Reversal of Major Repairs Allowance credited to the HRA		(11,856)				11,856	0
Use of capital receipts reserve to finance capital expenditure				(1,689)	0		(1,689)
Use of major repairs reserve to finance capital expenditure						(11,380)	(11,380)
Deferred Capital Receipts - cash received				47			47
Adjustment between CAA and revaluation reserve for depreciation that is related to the revaluation balance rather than the historic cost							0
<b>Total adjustments between accounting basis &amp; funding basis under regulations</b>	(17,499)	119,613	0	(8,996)	6,372	0	99,490
<b>Net increase/Decrease before Transfers to Earmarked Reserves</b>	4,425	1,656	0	(8,996)	6,372	0	3,457
<b>Transfers to/(from) Earmarked Reserves</b>							
LMS reserves	(3,849)		3,849				0
Other movements in reserves	(576)		576				0
<b>Total transfers to/(from) Earmarked Reserves</b>	(4,425)	0	4,425	0	0	0	0
<b>Net increase/(decrease) in reserves for the year</b>	0	1,656	4,425	(8,996)	6,372	0	3,457
<b>Balance c/f at 31 March 2011</b>	11,597	6,137	57,339	132	7,023	0	82,228

**MOVEMENT IN RESERVES STATEMENT 2010/11**

Revaluation Reserve Balance £000	CAA Balance £000	Financial instruments Adjustment Account Balance £000	Pensions Reserve Balance £000	Deferred Capital Receipts Balance £000	Collection Fund Adjustment account £000	STACA balance £000	Joint Venture £000	Total Unusable reserves balance £000	Total Authority Reserves Balance £000
219,441	1,199,117	(4,120)	(516,788)	291	0	(5,447)	(2,008)	890,486	969,257
								0	(96,033)
31,141								31,141	31,141
(5,421)								(5,421)	(5,421)
								0	0
								0	0
			132,846					132,846	132,846
25,720	0	0	132,846	0	0	0	0	158,566	158,566
25,720	0	0	132,846	0	0	0	0	158,566	62,533
	(37,631)							(37,631)	0
	(1,588)							(1,588)	0
								0	0
								0	0
	(264,743)							(264,743)	0
	112,207							112,207	0
	(2,551)							(2,551)	0
								0	0
	49,817							49,817	0
	(17,319)							(17,319)	0
(4,036)	(9,657)							(13,693)	0
			6,126					6,126	0
	6,555							6,555	0
		41						41	0
					3,237			3,237	0
						44		44	0
	8,771							8,771	0
		574						574	0
								0	0
			32,375					32,375	0
	17,122							17,122	0
	(11,856)							(11,856)	0
								0	0
	1,689							1,689	0
	11,380							11,380	0
				(47)				(47)	0
(954)	954							0	0
(4,990)	(136,850)	615	38,501	(47)	3,237	44	0	(99,490)	0
20,730	(136,850)	615	171,347	(47)	3,237	44	0	59,076	62,533
								0	0
								0	0
0	0	0	0	0	0	0	0	0	0
20,730	(136,850)	615	171,347	(47)	3,237	44	(586)	58,490	61,947
240,171	1,062,267	(3,505)	(345,441)	244	3,237	(5,403)	(2,594)	948,976	1,031,204



# MOVEMENT IN RESERVES STATEMENT 2009/10

	General Fund Revised Balance £000	HRA Revised Balance £000	Earmarked GF Reserves Revised Balance £000	Capital Receipts Revised Balance £000	Capital Grant Unapplied Revised Balance £000	Major Repairs Reserve £000	Total Usable reserves revised Balance £000
<b>Balances b/f at 1st April 2009</b>	9,300	3,736	41,103	2,732			56,871
IFRS Adjustments				8,900	459		9,359
<b>Adjusted Balance at 1st April 2009</b>	9,300	3,736	41,103	11,632	459	0	66,230
<b>Movement in reserves during 2009/10</b>							
<b>Surplus or (deficit) on provision of services</b>	(77,238)	(6,702)					(83,940)
<b>Other Comprehensive Expenditure and Income</b>							
Revaluation Gains							0
Write out assets reclassified as finance leases							0
Elimination of Revaluation Reserve for Investment							0
Properties - CI&E offset							0
Revaluation losses (chargeable to revaluation reserve)							0
Movement in pensions reserve							0
Total Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0
<b>Total Comprehensive Expenditure and Income</b>	(77,238)	(6,702)	0	0	0	0	(83,940)
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>							
<b>Amounts included in CI&amp;E to be removed for determining movement in General Fund</b>							
Depreciation/amortisation (excl HRA)	32,615						32,615
Amortisation of Intangibles	1,367	3					1,370
Excess of depreciation charged to HRA services over the MRA element of housing subsidy		55				(50)	5
Revaluation losses charged to CI&E	56,118	7,007					63,125
Movement in market value of investment property	(9,481)						(9,481)
Capital grant and contributions	(22,128)	(1,298)			192		(23,234)
Revenue expenditure funded from capital under statute	3,250	204					3,454
Profit/loss on sale of non current assets	20,961	(1,031)		1,526			21,456
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	43,702	4,058					47,760
Other Finance Costs	270						270
Premiums Paid on early redemption of debt	2,026	983					3,009
Compensated absences	(363)	19					(344)
<b>Amounts excluded from CI&amp;E to be included for determining movement in General Fund</b>							
Statutory provision for the repayment of debt	(5,975)						(5,975)
Amortisation of premiums and discounts	(86)	(607)					(693)
Lessor Leases - Regulation 4 Mitigation	2,307						2,307
HRA capital receipts to housing central pool		613		(613)			0
Employer's pensions contributions	(27,559)	(2,559)					(30,118)
Capital expenditure charged to general fund	(5,678)						(5,678)
<b>Other adjustments</b>							
Major Repairs Allowance credited to the HRA		10,987					10,987
Reversal of Major Repairs Allowance credited to the HRA		(10,987)				10,987	0
Use of capital receipts reserve to finance capital expenditure				(3,417)			(3,417)
Use of major repairs reserve to finance capital expenditure						(10,937)	(10,937)
Adjustment between CAA and revaluation reserve for depreciation that is related to the revaluation balance rather than the historic cost							0
<b>Total adjustments between accounting basis &amp; funding basis under regulations</b>	91,346	7,447	0	(2,504)	192	0	96,481
<b>Net increase/Decrease before Transfers to Earmarked Reserves</b>	14,108	745	0	(2,504)	192	0	12,541
<b>Transfers to/(from) Earmarked Reserves</b>							
LMS reserves	546		(546)				0
Other movements in reserves	(12,357)		12,357				0
<b>Total transfers to/(from) Earmarked Reserves</b>	(11,811)	0	11,811	0	0	0	0
<b>Net increase/(decrease) in reserves for the year</b>	2,297	745	11,811	(2,504)	192	0	12,541
<b>Balance c/f at 31 March 2010</b>	11,597	4,481	52,914	9,128	651	0	78,771

**GROUP MOVEMENT IN RESERVES STATEMENT 2009/10**

Revaluation Reserve Revised Balance £000	CAA Revised Balance £000	Financial instruments Adjustment Account Revised Balance £000	Pensions Reserve Revised Balance £000	Deferred Capital Receipts Revised Balance £000	STACA Revised Balance £000	Joint Venture £000	Total Unusable Reserves Revised Balance £000	Total Authority Reserves Revised Balance £000
202,873	1,280,506	(1,534)	(388,006)	360	0	(3,300)	1,090,899	1,147,770
2,067	(3,924)	0	0	0	(5,791)		(7,648)	1,711
204,940	1,276,582	(1,534)	(388,006)	360	(5,791)	(3,300)	1,083,251	1,149,481
							0	(83,940)
47,222							47,222	47,222
(27,710)	(1,214)						(28,924)	(28,924)
132							132	132
(4,799)							(4,799)	(4,799)
			(111,140)				(111,140)	(111,140)
							0	0
14,845	(1,214)	0	(111,140)	0	0	0	(97,509)	(97,509)
14,845	(1,214)	0	(111,140)	0	0	0	(97,509)	(181,449)
	(32,615)						(32,615)	0
	(1,370)						(1,370)	0
	(5)						(5)	0
	(63,125)						(63,125)	0
	9,481						9,481	0
	23,234						23,234	(6,132)
	(3,454)						(3,454)	6,132
	(21,456)						(21,456)	0
			(47,760)				(47,760)	0
		(270)					(270)	0
		(3,009)					(3,009)	0
					344		344	0
	5,975						5,975	0
		693					693	0
	(2,307)						(2,307)	0
							0	0
			30,118				30,118	0
	5,678						5,678	0
	(10,987)						(10,987)	0
							0	0
	3,417						3,417	0
	10,937						10,937	0
(344)	344						0	0
(344)	(76,253)	(2,586)	(17,642)	0	344	0	(96,481)	0
14,501	(77,467)	(2,586)	(128,782)	0	344	0	(193,990)	(181,449)
							0	0
	2			(69)			(67)	(67)
0	2	0	0	(69)	0	0	(67)	(67)
14,501	(77,465)	(2,586)	(128,782)	(69)	344	1,292	(192,765)	(180,224)
219,441	1,199,117	(4,120)	(516,788)	291	(5,447)	(2,008)	890,486	969,257

## GROUP BALANCE SHEET

The Balance Sheet shows the Council's position at the end of the year for all activities and services except the Pension Fund and trust funds, which are held on behalf of third parties. All internal transactions between funds have been eliminated.

	2010/11		2009/10	2008/09
	£000	£000	£000	£000
Property, Plant and Equipment				
Council dwellings	532,026		663,171	659,252
Other land and buildings	932,340		901,178	933,531
Vehicles, plant, furniture and equipment	13,555		14,910	13,484
Infrastructure	85,671		84,764	84,643
Community assets	3,432		3,042	3,113
Assets under construction	43,410		9,778	10,453
		1,610,434		
Investment property		15,404	17,954	18,026
Intangible Assets				
Software		2,894	3,574	3,462
Assets under construction		2,286	0	0
Non Current Investments				
Non-property investments		11,907	9,946	23,324
Non-current receivables		51,199	35,271	13,466
<b>Non-Current Assets</b>		<b>1,694,124</b>	<b>1,743,588</b>	<b>1,762,754</b>
Current Investments				
Non-property investments excl cash equivalents		128,848	99,255	75,213
Inventories		425	219	291
Current Receivables				
Receivables and payments in advance	145,422		164,894	110,529
Less allowance for receivables	(54,881)		(52,733)	(38,089)
		90,541		
Cash and cash equivalents		14,338	28,985	97,296
<b>Current Assets</b>		<b>234,152</b>	<b>240,620</b>	<b>245,240</b>
Cash and cash equivalents		(23,137)	(39,278)	(44,973)
Current borrowing		(75,652)	(116,080)	(23)
Current Payables and receipts in advance		(93,680)	(93,059)	(100,555)
<b>Current Liabilities</b>		<b>(192,469)</b>	<b>(248,417)</b>	<b>(145,551)</b>
Provisions		(25,707)	(23,568)	(21,037)
Long-term borrowing		(298,482)	(198,303)	(292,663)
Deferred capital creditors		(7,511)	(7,065)	(5,842)
Net Liability from interest in joint venture		(2,593)	(2,008)	(3,300)
Other Long Term Liabilities				
Pensions liability	(345,441)		(516,788)	(388,006)
Capital grants receipts in advance	(24,868)		(18,802)	(2,114)
		(370,309)		
<b>Non-Current Liabilities</b>		<b>(704,602)</b>	<b>(766,534)</b>	<b>(712,962)</b>
<b>Net Assets</b>		<b>1,031,205</b>	<b>969,257</b>	<b>1,149,481</b>
<b>Usable reserves</b>				
General Fund	11,597		11,597	9,300
Housing Revenue Account	6,137		4,481	3,736
Earmarked reserves	57,339		52,914	41,103
Capital receipts reserve	132		9,128	11,632
Capital grants unapplied	7,023		651	459
Share of Joint Venture	(2,593)		(2,008)	(3,300)
		79,635	76,763	62,930
<b>Unusable reserves</b>				
Revaluation reserve	240,171		219,441	204,940
Capital adjustment account	1,062,267		1,199,117	1,276,582
Financial Instruments adjustment account	(3,505)		(4,120)	(1,534)
Pensions reserve	(345,441)		(516,788)	(388,006)
Deferred capital receipts	244		291	360
Collection fund adjustment account	3,237		0	0
Short-term accumulating compensated absences account	(5,403)		(5,447)	(5,791)
		951,570	892,494	1,086,551
<b>Total Reserves</b>		<b>1,031,205</b>	<b>969,257</b>	<b>1,149,481</b>

# GROUP CASH FLOW STATEMENT

	2010/11 £000	2009/10 £000
<b>OPERATING ACTIVITIES</b>		
Net (surplus) or deficit on the provision of services	96,619	83,940
Adjustment for movement in Non Cash Items	(177,965)	(79,216)
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	2,975	1,329
Adjustment for intra group dividend paid	375	0
Interest Paid	11,925	13,245
Interest Received	(3,654)	(5,110)
Dividend Received	(375)	0
<b>Net cash (inflow)/outflow from operating activities*</b>	(70,101)	14,188
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment, investment property and intangible assets	127,604	97,372
Purchase of short-term and long-term investments	37,640	24,042
Other payments for investing activities	16,185	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,975)	(1,329)
Capital grants	(44,403)	(17,074)
Proceeds from short-term and long-term investments	(6,986)	(13,033)
Other receipts from investing activities	(17,110)	(132)
<b>Net cash (inflow)/outflow from investing activities</b>	109,955	89,846
<b>FINANCING ACTIVITIES</b>		
Cash receipts of short and long-term borrowing	(111,444)	(82,600)
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (Principal)	7,709	0
Repayments of short and long-term borrowing	62,900	61,000
Other payments for financing activities	0	(21,331)
<b>Net cash (inflow)/outflow from financing activities</b>	(40,835)	(42,931)
<b>Net (Increase)/decrease in cash and cash equivalents</b>	(980)	61,103
Cash and cash equivalents at the beginning of the reporting period	(8,780)	52,323
<b>Cash and cash equivalents at the end of the reporting period</b>	7,800	8,780
- Cash held	(112)	(129)
- Bank current accounts	10,914	28,576
- Short-term deposits with building societies & Money Market Funds	(3,001)	(19,667)
	7,801	8,780

### **The Group Accounting Policies**

The Group Accounts have been prepared using the equity method for Joint Ventures in accordance with the CIPFA Code of Practice on Local Authority Accounting 2010/11 and International Accounting Standard 31, Interests in Joint Ventures. There are no material subsidiaries or associated organisations excluded from the Group Accounts. There are no material differences in the accounting policies of the Council or any of the companies or organisations forming part of the Group Accounts.

### **CCURV LLP - Nature of the Group and basis of consolidation**

At the end of 2008 the Council took a 50% stake in the Croydon Council Urban Regeneration Vehicle Limited Liability Partnership (CCURV LLP). The Davis House Limited Liability Partnership (DH LLP) is a 100% owned subsidiary of CCURV LLP.

These two limited liability partnerships were specifically formed by Croydon Council and John Laing Projects and Development (Croydon) Limited (JLPD Ltd), who took the other 50% stake, for the regeneration of Council properties.

The Council holds a Capital Subscription representing 50% of the total of CCURV LLP. The remaining 50% is held by John Laing and this gives both parties equal representation in the operation of the partnership. There are some powers of veto, limited to protecting the Council's overall interest in the partnership and its land commitments.

The accounting period for CCURV LLP was the year ended 31 December 2010 and is therefore not co-terminous with that of the Council. The Group Accounts have been prepared consolidating the accounts for the year ended 31 December 2010 adjusting for the period to 31 March 2010 and adding the management accounts for the 3 months to 31 March 2011.

The partnership has been specifically formed to act as a vehicle for the development and regeneration of various Council owned sites and specifically the construction of a new headquarters building on the Fell Road site, the Public Service Delivery Hub.

### **CCURV LLP - Voting rights**

The Council has joint control with JLPD Ltd as to the distribution of the CCURV LLP reserves, with power of veto on certain decisions to protect its land interests.

### **CCURV LLP - Loans between the parties**

The Council has pledged land to CCURV LLP. The value of this is matched by JLPD Ltd's cash investment in CCURV LLP. As at 31 March 2011 the value of this pledge was £11,906,814 (£9,986,250 as at 31 March 2010). The Council has provided in full for this commitment (see Note 39). The total value of the land that the Council will eventually pledge is £24.428m. The difference between this figure and what has been matched by JLPD Ltd attracts interest which is payable by CCURV LLP to Croydon Council at 4.75% per year, with the exception of that part relating to the Barclay Road Annex which attracts interest at 0.05%. From the date of its inception to 31 March 2011 the total amount of interest payable by CCURV LLP in this way to Croydon Council was £1,555,392 (£1,003,751 to 31 March 2010).

### **DH LLP**

The Council made a loan to DH LLP to support the purchase of Davis House. The interest on the loan is at the rate of 6% per year, calculated monthly and compounded (i.e. added back) into the loan (this is included under non current receivables in Note 36).

From the date of its inception to 31 March 2011 the amount of interest payable by DH LLP to Croydon Council was £582,870 (£321,045 to 31 March 2010).

### **Croydon Care Solutions Limited**

A Local Authority Trading Company, Croydon Care Solutions Limited, was set up on 8th March 2011. The Company is 100% owned by Croydon Council and is therefore a subsidiary of Croydon for group account purposes.

The total turnover in the financial year 2010/11 was £0.242m. This is not considered material and therefore has not been included in the group accounts.

## NOTES TO THE GROUP ACCOUNTS

### 1. RECONCILIATION OF NET SURPLUS/DEFICIT TO THE MOVEMENT IN CASH

#### Introduction

This statement groups together revenue and capital, income and expenditure. It provides a link between the Balance Sheet at the beginning of the year, the revenue account for the year and the Balance Sheet at the end of the year. It summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

	2010/11 £000	2009/10 £000
<b>Provisions and accounting basis transactions</b>		
Depreciation	(38,400)	(32,670)
Impairment and downward valuations	(152,496)	(63,125)
Amortisations	(1,588)	(1,370)
Increase in impairment for allowance for receivables	(2,227)	(14,643)
Pension liability - accounting basis	6,126	(47,760)
Carrying amount of non-current assets sold	(13,981)	(21,457)
Provisions	(219)	(8,322)
Movements in the value of investment properties	(2,551)	9,481
Amounts posted from the Donated Assets Account	0	0
Other non cash movements	(21,419)	189
Net interest	(7,223)	(8,135)
	(233,977)	(187,812)
<b>Items included/excluded from net surplus or deficit on the provision of services:</b>		
Decrease/Increase in payables	3,660	7,495
Increase/Decrease in receivables	(19,098)	51,084
Decrease/Increase in inventory	206	(72)
Pension liability - paid	32,375	30,118
	17,143	88,625
<b>Other non service related items</b>		
Grants applied to the financing of capital expenditure or received to meet the principal repayments on borrowing	56,188	23,425
Revenue expenditure funded from capital under statute	(17,320)	(3,454)
	(177,965)	(79,216)
<b>Total adjustment</b>		

### 2. CROYDON COUNCIL'S SHARE IN JOINT VENTURE COMPANIES WITHIN THE GROUP

This is as follows:

	2010/11		2009/10	
	CCURV £000	DHLLP £000	CCURV £000	DHLLP £000
Turnover	2,398	907	5,240	997
Profit/(loss) before and after tax	(353)	(233)	1,641	25
Non Current Assets	0	9,571	0	9,864
Current Assets	1,414	295	1,235	651
Liabilities due within one year	(627)	(679)	(1,378)	(957)
Liabilities due after one year or more	(2,735)	(9,832)	(1,553)	(9,870)

# **Draft Pension Fund Accounts 2010/11**

***June 2011***

**CROYDON**  
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The Council as a Local Authority and a pension administering authority is acting in two separate roles. As a Local Authority it is accountable to the residents of the London Borough of Croydon for its stewardship of public funds. As a pension administering authority it is accountable both to its employees who are members of the Pension Fund, and to past employees in receipt of a pension for its stewardship of pension assets. The two roles, and the relevant interest groups, are significantly different. Consequently, the Pension Fund accounts are presented in an appendix to clearly demonstrate the distinction.

### FUND'S OPERATIONS AND MEMBERSHIP

The London Borough of Croydon Pension Fund (the Fund) operates a defined benefit scheme whose purpose is to provide pensions to all of the Council's employees, with the exception of teaching staff, and to the employees of admitted and scheduled bodies who are members of the Fund.

The Local Government Pension Scheme (LGPS) is a statutory pension scheme, whose rules are governed by Parliament in accordance with the Superannuation Act 1972. The rules of the scheme are laid down in two separate sets of regulations; the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and the Local Government Pension Scheme (Administration) Regulations 2008, both of which came into force on 1 April 2008, and provide the statutory basis within which the Fund can operate. Separate transitional regulations provide the link between the old and new scheme provisions.

Below is a list of the admitted and scheduled bodies contributing to the Fund:

#### Admitted:

Age Concern, Appetito, BRIT School, Cabrini Children's Society, Creative Environmental Network, Croydon Citizens Advice Bureau, Croydon Community Mediation, Croydon Voluntary Action, Fairfield (Croydon) Limited, Fusion, Harris City Academy Crystal Palace, Harris City Academy South Norwood, Interserve, Oasis Academy Coulsdon, Veolia, Eldon Care Home, Harris Federation Purley, Harris Federation Crystal Palace, Courier Cars, Wallington Cars, Oasis Academy Shirley Park, Olympic (South) Ltd, Sutton Jigsaw, Vinci Facilities and The Quest Academy.

#### Scheduled:

London Borough of Croydon, Coulsdon College, Croydon College, and John Ruskin College.

### Management of the Fund

The London Borough of Croydon has a statutory responsibility to administer and manage the London Borough of Croydon Pension Fund on behalf of all the participating employers of the Fund in Croydon, and the past and present contributing members, and their dependents.

The Council is also responsible for making decisions governing the way the Fund is invested. In this respect, the Council delegates responsibility for making investment decisions and monitoring arrangements to the Pension Committee. The Pension Committee's responsibilities include reviewing and monitoring the Fund's investments; selecting and deselecting investment managers and other relevant third parties and establishing investment objectives and policies. The Pension Committee is made up of six voting Members of the Council, two non-voting pensioner representatives, a co-opted non-voting member and a non voting employee representative. In addition, the committee is supported by officers and external advisors.

**1. GENERAL PRINCIPLES**

The financial statements have been prepared in accordance with the provisions of Sections 6.5.1 to 6.5.5 of the Code of Practice on Local Authority Accounting in the United Kingdom 2010, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

**2. STATEMENT OF INVESTMENT PRINCIPLES**

This is published in the Croydon Pension Scheme Annual Report.

**3. BASIS OF PREPARATION****Accruals**

The financial statements, apart from transfer values received and paid (see below), have been prepared on an accruals basis. The accruals basis of accounting requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced, and not in the period in which any cash is received or paid.

**Transfer Values**

Transfer values receivable and payable that were not received or paid by Croydon Council (acting on behalf of the Pension Fund) at the year end, are not included within the financial statements for the year in accordance with the accounting treatment required by the Pensions SORP (Statement of Recommended Practice).

**AVCs**

Additional voluntary contributions, which are separately invested, are not included in the Pension Fund Accounts in accordance with Regulation 5(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No.1831).

**Valuation of Investments**

All investments are valued at fair value within the accounts. Fair value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The implementation of this principle is explained in detail for each class of asset in the notes to the accounts.

**Investment Management and Administration Costs**

Paragraph 42 of the Local Government Pension Scheme (Administration) Regulations 2008 permits the Council to charge the scheme's administration and investment management costs to the Fund. A proportion of relevant Council officers' salaries including related on-costs (these consist mainly of employer's National Insurance Contributions and employer's pension contributions) have been charged to the Fund on the basis of actual time spent on scheme administration and investment related business. The fees of professional advisors and administrators are also charged to the Fund.

**Returns on Investments**

The returns on investments include; investment income, the net gain or loss on currency transactions, the realised and unrealised gain or loss on investments.

**Acquisition Costs**

The cost of acquiring property and securities includes brokerage commission, legal fees and stamp duty.

**Going Concern**

The Pension Fund Accounts have been prepared on a going concern basis. That is the accounts assume that the Fund will continue in operational existence for the foreseeable future. This means in particular that the accounts assume that there is no intention to curtail significantly the scale of operations.

**4. EARLY RETIREMENT COSTS DUE TO REDUNDANCY**

Employees, who are members of the Local Government Pension Scheme, aged 55 or over and take early retirement due to redundancy are entitled, under the regulations, to receive their pension from the date their employment ceases, based on the number of years of their service without any actuarial reduction. This causes a 'strain' on the Pension Fund that is measured as a capitalised cost, and recovered from the London Borough of Croydon in the year in which it arises.

## PENSION FUND ACCOUNTS

### FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

#### CONTRIBUTIONS AND BENEFITS

	Note No.	2010/11 £000	2009/10 £000
Employees' contributions:			
London Borough of Croydon		8,562	8,406
Scheduled bodies		393	456
Admitted bodies		846	617
Employers' contributions:			
London Borough of Croydon		29,291	27,578
Scheduled bodies		1,373	1,519
Admitted bodies		2,228	1,761
Employers' deficit funding contributions		146	125
Transfer values received	15	8,324	9,877
Early retirement costs recovered	8	2,996	1,747
		54,159	52,086
Benefits - Pensions		29,035	28,026
- Lump sums	14	8,314	9,088
Payments to and on account of leavers - Refund of contributions		116	61
- Transfer values paid	15	5,376	6,324
Administrative expenses	11	1,732	1,497
		44,573	44,996
<b>Net additions / (withdrawals) from dealings with members</b>		<b>9,586</b>	<b>7,090</b>

#### RETURNS ON INVESTMENTS

	Note No.	2010/11 £000	2009/10 £000
Investment income	13	5,783	9,130
Net gains / (losses) on currency revaluations and underwriting commissions		75	73
Change in market value of investments:			
Unrealised	3	22,701	34,648
Realised	3	9,791	116,571
Investment management expenses	12	(1,885)	(1,095)
<b>Net returns on investments</b>		<b>36,465</b>	<b>159,327</b>
<b>Net increase / (decrease) in the Fund during the year</b>		<b>46,051</b>	<b>166,417</b>
<b>Net assets at the start of the year</b>		<b>583,461</b>	<b>417,044</b>
<b>Net assets at the end of the year</b>		<b>629,512</b>	<b>583,461</b>

# PENSION FUND ACCOUNTS

## NET ASSETS STATEMENT AS AT 31 MARCH 2011

### Investments held by the Fund Managers:

Global equities

Private equity

Bonds

Hedge funds

Property

Global Tactical Asset Allocation

Transition account

### Total Investments held by the Fund Managers

### Other Balances held by the Fund Managers

Outstanding dividends and tax reclaimable

Outstanding trades for securities sold

Outstanding trades for securities purchased

### Total Other Balances held by Fund Managers

Cash held by the Fund Managers

### Total asset held by the Fund Managers

### Net current assets:

Receivables

Cash held by the London Borough of Croydon

Cash on deposit with Goldman Sachs

Payables

### Net assets at the end of the year

Note No.	2010/11 £000	2009/10 £000
2 - 5	329,771	309,637
2 - 5	23,453	16,483
2 - 5	182,431	177,873
2 - 5	23,975	23,017
2 - 5	37,586	25,254
2 - 5	21,883	22,283
2 - 5	22	21
	619,121	574,568
	934	630
	1,167	2,047
	(595)	(2,248)
	1,506	429
	4,592	7,587
	625,219	582,584
9	2,562	717
	28	7,052
	8,295	0
10	(6,592)	(6,892)
	629,512	583,461

## 1. ACTUARIAL POSITION

The accounts summarise the transactions and net assets of the Fund and do not take account of liabilities to pay pensions and other benefits in the future. The adequacy of the Fund's investments and contributions in relation to its overall obligations was reviewed at the triennial actuarial valuation of the Fund as at 31 March 2010 in accordance with the Local Government Pension Scheme Regulations 1997 (as amended). The employers' contribution rates for 2010/11 are as follows:

Croydon Council (including schools' non-teaching staff) - 23.2%  
 Scheduled bodies - 23.2%  
 Admitted bodies - rates vary depending upon those determined by the Actuary.

During 2010/11 the Actuary completed his triennial Actuarial Valuation as at 31 March 2010 which calculated the total accrued liabilities to be £884m. The market value of the Fund's assets at the valuation date was £583m. The Fund deficit was therefore £301m producing a funding level of 66%. This compares with a deficit of £264m and a funding level of 68% as at the 31 March 2007 Actuarial Valuation. The next triennial Actuarial Valuation will be prepared as at 31 March 2013.

The 2010 Actuarial Valuation recommends that recovery of the deficit be spread over 24 years as from 1 April 2011 and that the employers' contribution rates for Croydon Council (including schools' non-teaching staff) and the scheduled bodies is an average of 23.0% over that 24 year period. The rate for admitted bodies will vary depending upon those determined by the actuary.

To contribute towards funding their share of the deficit one admitted body (BRIT School) decided to make a deficit funding payment of £146k during 2010/11 (£125k in 2009/10). The amount is separately disclosed as required by the SORP. However, as stated above the London Borough of Croydon and the scheduled and admitted bodies are all contributing towards reducing the deficit through increased monthly contributions in accordance with the recovery plan.

The actuarial assumptions used in preparing the valuation were:

	Past Service Nominal p.a. %	Future Service Nominal p.a. %
Investment returns (equities)	6.00	6.75
Pay increases (excluding increments)	4.75	4.75
Pensions increases	3.00	3.00
Consumer Price Index (CPI) price inflation	3.00	3.00

## 2. INVESTMENTS

The Pensions Committee agreed to authorise the then Executive Director of Finance and Resources, now the Deputy Chief Executive and Executive Director of Corporate Resources and Customer Services to exercise delegated powers to vary the Pension Fund's target asset allocation between UK and Overseas equities, Property, Bonds, Cash and alternative asset classes as is deemed necessary and switch investments between existing and other fund managers, as required. The dynamics which drove this process from late 2007 were the volatility in equity markets and the availability of investment opportunities tied into temporary market inefficiencies. The objective was to achieve a more consistent level of return aligned with the (then) 25 year recovery plan for the Fund but with a much lower aggregate level of risk.

The Fund's advisors gave their views on the appropriate asset allocations for the fund. From their advice the following target asset allocation was determined:

Asset Class	Investment
Equities	50.00%
Private Equity	4.00%
Bonds	30.00%
Fund of Hedge Funds	4.00%
Global Tactical Asset Allocation	4.00%
Property	7.00%
Cash	1.00%
Total	100.00%

**2. INVESTMENTS (continued)**

<b>Asset Category</b>	<b>Fund Managers</b>
Equities	DB Advisors, Fidelity and Franklin Templeton (segregated funds); Edinburgh Partners and Sarasin (pooled funds)
Private equity	Equitix, Knightsbridge and Pantheon
Bonds	Standard Life and Wellington
Hedge Fund of Funds	Bluecrest and Fauchier
Property	Henderson Global investors*
Global Tactical Asset Allocation	Nordea
Cash	Cash is invested by the in-house team

\* Henderson have surrendered their property mandate and Schroders have been appointed to replace them effective from mid 2011/12.

**VALUATION OF INVESTMENTS**

The assets of the Pension Fund are included in the Net Asset Statement at their fair value. The fair value for the following asset classes is:

**Segregated Global Equities (Fidelity, Franklin Templeton, Deutsche Bank)**

Investment accounting was outsourced to Bank of New York Mellon (BoNYM) with effect from 1 April 2009. The BoNYM pricing unit (Global Pricing) uses its prices to reprice the investments held by the segregated fund managers to achieve consistent pricing across the entire segregated portfolio.

The BoNYM pricing unit operates under the following pricing guidelines:

***Designation of a primary source***

All pricing vendors are external. Where available, BoNYM uses more than one vendor for securities of each asset type, class or issue. At the time of acquisition, each security is automatically assigned a primary pricing source, based on its characteristics. The price received from a primary source is used in portfolio valuation reports, unless a tolerance check, or price challenge results in the use of a price from a secondary vendor, or BoNYM are directed as to a price or source as described below:

***Use of Secondary Pricing Sources; Client / Manager Price Direction******Missing Prices***

BoNYM monitors prices supplied by vendors and may use a secondary vendor or change a primary vendor designation if a price for a particular security is not received from the primary vendor or the vendor no longer prices a particular asset type, class or issue. When a vendor does not send a price for a particular asset, it may indicate an inactive, delisted, bankrupt or suspended equity or bond for which BoNYM vendors no longer have enough data to provide a price. In such cases, Global Pricing would use a secondary vendor, if available. If a secondary vendor source is not available, BoNYM will reflect the last available price. In daily, weekly or monthly valued accounts, the client or their investment manager(s) may direct the use of an alternative price or source for any position not priced by BoNYM pricing vendors.

***Tolerance Checks***

Vendor-provided prices are subjected to automated tolerance checks to identify and avoid, where possible, the use of inaccurate prices. Questionable prices identified by either of the tests noted below, are reported to the vendor that provided the price. Pricing Specialists then follow-up with the vendors. If the prices are validated, the primary price source is used. If not, a secondary source price which has passed the applicable tolerance check is used (or queried with the vendor if it is out of tolerance), resulting in either the use of a secondary price, where validated, or the last reported default price, as in the case of a missing price. For monthly valued accounts, where secondary price sources are available, an automated inter source, tolerance report identifies prices with an inter-vendor pricing variance of over 2% at an asset class level.

For daily valued accounts, each security is assigned, where possible, an indicative major market index, against which daily price movements are automatically compared. Tolerance thresholds are established by asset class. Prices found to be outside of the applicable tolerance threshold are reported and queried with vendors as described above.

## 2. INVESTMENTS (continued)

### Pooled Equity Funds (Sarasin & Edinburgh Partners)

#### **Sarasin**

The investment with Sarasin is in their Global Thematic Fund. The price of shares in the fund is published daily in the Financial Times. The share price at 31 March is provided to BoNYM.

#### **Edinburgh Partners**

The investment with Edinburgh Partners is in their Global Opportunities Fund. The price of shares in the fund is published daily in the Financial Times. The share price at 31 March is provided to BoNYM.

### Bonds

#### **Standard Life - Trustee Investment plan**

Investments in the Trustee Investment Plan are valued each working day and a unit price is set. The pricing basis depends on the overall cash flow of the fund, and more specifically, whether the cash flows result in the fund having to purchase, sell or transfer stock. This gives rise to three pricing bases; offer, bid and mid. Generally, if there is a positive cash flow into the fund the offer basis is used. This basis takes account of the cost of buying investments. However, if there is an overall outflow of funds the pricing basis may be switched to a bid basis. This means that a lower price will apply, reflecting the cost of selling the underlying investments. This is in accordance with the accounting rules for pooled investment vehicles required by the 2007 Pensions SORP.

#### **Wellington - Sterling Core Bond Plus**

Multiple pricing sources are used: a tolerance of 5% is accepted between prices. Outside of that range there is a manual review of each price.

### Private Equity Investments

Fund investments are carried at fair value as determined quarterly by the General Partner in its discretion. The Partnership's fund investments are generally carried at the valuations provided by the general partners or managers of such investments. The valuations provided by the general partners or managers typically reflect the fair value of the Partnership's capital account balance of each fund investment, including unrealised gains and losses, as reported in the audited financial statements of the respective fund. In reviewing these underlying valuations, the General Partner is advised by the Investment Advisor, who reviews the capital account balances and may adjust the value of each fund investment. The General Partner uses the market approach to estimate the fair value of private investments. The market approach utilises prices and other relevant information generated by market transactions, type of security, size of the position, degree of liquidity, restrictions on the disposition, latest round of financing data, current financial position and operating results, among other factors. In circumstances where fair values are not provided in respect of any of the Company's fund investments, the Investment Advisor will seek to determine the fair value of such investments based upon information provided by the general partners or managers of such funds or from other sources. Notwithstanding the above, the variety of valuation bases adopted and quality of management data of the ultimate underlying Investee companies means that there are inherent difficulties in determining the value of these investments. Amounts realised on the sale of these investments may differ from the values reflected in these financial statements and the difference could be significant.

### Hedge Funds and Global Tactical Asset Allocation

Pricing supplied by Globeopp.net. Net asset values are reconciled on a daily basis.

### Property

The Fund does not have any direct investments in property but invests indirectly through the property fund manager Henderson Global Investors, who invest in several property funds that are repriced by BoNYM at their bid prices.



## NOTES TO THE PENSION FUND ACCOUNTS

### 3. CHANGE IN MARKET VALUE OF INVESTMENTS

	Balance Brought Forward £000	Purchases £000	Sale Proceeds £000	Realised Gains/ (Losses) £000	Unrealised Gains/ (Losses) £000	Balance Carried Forward £000
Global equities	309,637	158,727	(156,122)	9,612	7,917	329,771
Private equity	16,483	6,765	(3,012)	4	3,213	23,453
Bonds	177,873	98	(6,000)	234	10,226	182,431
Hedge funds	23,017	3,302	(3,302)	72	886	23,975
Property	25,254	11,605	0	0	727	37,586
Global Tactical Asset Allocation	22,283	0	0	0	(400)	21,883
Transition account	21	0	0	(131)	132	22
	574,568	180,497	(168,436)	9,791	22,701	619,121

### 4. ANALYSIS OF INVESTMENTS

Investments are valued at the close of business on 31 March 2011 in accordance with the valuation methodologies detailed in Note 2.

	Book £000	2011 Market £000	Market %	Book £000	2010 Market £000	Market %
Global equities						
DB Advisors	52,454	55,758	9.0%	47,382	52,172	9.1%
Edinburgh Partners	48,255	52,442	8.5%	47,547	53,195	9.3%
Fidelity	92,271	108,296	17.5%	88,751	99,082	17.2%
Franklin Templeton	48,643	56,648	9.1%	46,199	52,516	9.1%
Sarasin	46,848	56,627	9.1%	46,734	52,672	9.2%
<b>Total equities</b>	288,471	329,771	53.2%	276,613	309,637	53.9%
Private Equity						
Pantheon Ventures	7,740	12,887	2.1%	8,569	12,125	2.1%
MUST 2 (Mercury Unquoted Securities Trust)	4	8	0.0%	0	20	0.0%
Equitix	7,441	8,210	1.3%	3,181	3,181	0.6%
Knightsbridge	2,662	2,348	0.4%	1,408	1,157	0.2%
<b>Total private equity</b>	17,847	23,453	3.8%	13,158	16,483	2.9%
Bonds						
Standard Life	102,010	109,594	17.7%	105,409	107,307	18.6%
Wellington	67,946	72,837	11.8%	70,215	70,566	12.3%
<b>Total Bonds</b>	169,956	182,431	29.5%	175,624	177,873	31.0%
				245,839		
Hedge Fund of Funds						
Bluecrest	11,230	12,390	2.0%	11,230	11,608	2.0%
Fauchier	11,314	11,585	1.9%	11,243	11,409	2.0%
<b>Total Hedge Fund of Funds</b>	22,544	23,975	3.9%	22,473	23,017	4.0%
Property						
Henderson Global Investors	37,586	37,586	6.1%	25,981	25,254	4.4%
Global Tactical Asset Allocation						
Nordea	24,000	21,883	3.5%	24,000	22,283	3.9%
Bank of New York Mellon						
Other investment balances *	22	22	0.0%	152	21	0.0%
<b>Total investments</b>	560,426	619,121	100.0%	538,001	574,568	100.0%

## NOTES TO THE PENSION FUND ACCOUNTS

### 4. ANALYSIS OF INVESTMENTS (continued)

At the close of the 2010/11 accounting period the UK economy was continuing to recover from the recession. During the year the FTSE 100 varied between a low of 4,824 and a high of 6,060. The continuing recovery is reflected in the increase in the valuation of the Pension Fund's assets. However, the sustainability of the recession is still not certain.

#### \* Other Investment Balances

The Pension Fund holds title to various shares in financial bodies that were casualties of the recent financial crisis - i.e. Bradford and Bingley and Northern Rock. Although the market values these holdings at zero value the Fund still has rights which may in future give rise to a cash settlement. The Fund's custodian holds the documentation relating to these holdings.

### 5. GEOGRAPHICAL ANALYSIS OF INVESTMENTS

	UK £000	2011 Foreign £000	Total £000	UK £000	2010 Foreign £000	Total £000
Global equities						
DB Advisors	2,997	52,761	55,758	4,330	47,842	52,172
Edinburgh Partners	0	52,442	52,442	0	53,195	53,195
Fidelity	7,232	101,064	108,296	7,541	91,541	99,082
Franklin Templeton	5,954	50,694	56,648	7,478	45,038	52,516
Sarasin	0	56,627	56,627	0	52,672	52,672
<b>Total equities</b>	<b>16,183</b>	<b>313,588</b>	<b>329,771</b>	<b>19,349</b>	<b>290,288</b>	<b>309,637</b>
Private Equity						
Pantheon Ventures	0	12,887	12,887	0	12,125	12,125
MUST 2 (Mercury Unquoted Securities Trust)	8	0	8	20	0	20
Equitix	8,210	0	8,210	3,181	0	3,181
Knightsbridge	0	2,348	2,348	0	1,157	1,157
<b>Total private equity</b>	<b>8,218</b>	<b>15,235</b>	<b>23,453</b>	<b>3,201</b>	<b>13,282</b>	<b>16,483</b>
Bonds						
Standard Life	109,594	0	109,594	107,307	0	107,307
Wellington	0	72,837	72,837	0	70,566	70,566
<b>Total Bonds</b>	<b>109,594</b>	<b>72,837</b>	<b>182,431</b>	<b>107,307</b>	<b>70,566</b>	<b>177,873</b>
Hedge Fund of Funds						
Bluecrest	12,390	0	12,390	11,608	0	11,608
Fauchier	11,585	0	11,585	11,409	0	11,409
<b>Total Hedge Fund of Funds</b>	<b>23,975</b>	<b>0</b>	<b>23,975</b>	<b>23,017</b>	<b>0</b>	<b>23,017</b>
				<b>46,034</b>		
Property						
Henderson Global Investors	24,369	13,217	37,586	20,268	4,986	25,254
Global Tactical Asset Allocation						
Nordea	21,883	0	21,883	22,283	0	22,283
Bank of New York Mellon						
Other investment balances *	22	0	22	21	0	21
<b>Total investments</b>	<b>204,244</b>	<b>414,877</b>	<b>619,121</b>	<b>195,425</b>	<b>379,122</b>	<b>574,568</b>

## **6. INVESTMENTS EXCEEDING 5% OF THE MARKET VALUE OF THE FUND**

There was no single investment greater than 5% of the total market value of the Fund.

## **7. INFORMATION IN RESPECT OF MATERIAL TRANSACTIONS WITH RELATED PARTIES**

Related party disclosures are regulated by International Accounting Standard (IAS) 24 the purpose of which is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

In broad terms parties are related for the purposes of IAS24 when one has control or significant influence over the other, or they are subject to common control or influence.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies. Significant influence may be gained by share ownership, statute or agreement.

The related parties of pension schemes fall into three main categories:

Employer related

Trustee related; and

Officers and managers.

### **Employer Related Parties**

The relationship between an employer and a pension scheme set up for its employees is by its nature very close. The table below details the nature of the related party relationships. It should be appreciated that no improper influence attaches to any of these relationships and at no time has the Pension Fund been inhibited from its responsibility to serve the best interests of its members.

Transaction	Description of its Financial Effect
Cost of early retirement due to redundancy - Note 8	As explained in note 4 of the Statement of Accounting Principles and Policies, when employees who are members of the Local Government Pension Scheme take early retirement due to redundancy, there is a capitalised cost to the Pension Fund. This cost is re-imbursed by the employer granting early retirement.
Debtors - Note 9	Amounts due in respect of employers and employees contributions.
Creditors - Note 10	Payments are made by the Council's bank account on behalf of the Pension Fund. The Pension Fund reimburses the Council's bank account on a monthly basis.
Administration expenses - Note 11	The administration of the Pension Fund is undertaken by officers of the Council. The cost of their time is recharged to the Pension Fund as permitted by Paragraph 42 of the Local Government Pension Scheme (Administration) Regulations 2008.
Investment management expenses - Note 12	Council officers also provide investment monitoring services to the Pension Fund. It is also permitted under Paragraph 42 to recharge these costs to the Pension Fund.

The amounts involved in each of the above relationships are stated in their separate disclosure notes.

## **7. INFORMATION IN RESPECT OF MATERIAL TRANSACTIONS WITH RELATED PARTIES (continued)**

### **Trustee Related Parties**

Trustee related parties include:

- a. trustees and their close families
- b. key management (that is the directors and any senior officer) of a corporate trustee and their close families
- c. entities controlled by, and associates and joint ventures of, the scheme itself
- d. companies and businesses controlled by the trustees or their close families
- e. companies and businesses controlled by the key management of a corporate trustee, or their close families.

There were no transactions between any of the categories of trustees listed above and the Pension Fund.

### **Officers and Managers**

Related parties under this heading include:

- a. key management (senior officers) of the Fund and their close families
- b. companies and businesses controlled by the key management of the Fund, or their close families.

There were no transactions between officers and managers of the Pension Fund and the Pension Fund.

The only financial relationship that either trustees or officers and managers have with the Fund is as prospective pensioners for those who are scheme members.

## **8. COST OF EARLY RETIREMENT DUE TO REDUNDANCY**

The following note only applies to the London Borough of Croydon:

During the financial year 2010/11 the capitalised cost of early retirements (due to redundancy) requiring reimbursement to the Pension Fund was £1.8m (2009/10 £1.4m) of which £1.8m was reimbursed during 2010/11 (2009/10 £0.8m). From the current year onwards (2010/11) the entire capitalised cost of early retirement will be reimbursed in the year in which it is incurred.

At the commencement of the financial year 2010/11, £2.0m (2008/09 £2.4m) of capitalised early retirement costs relating to prior year redundancies were the subject of reimbursements to the Pension Fund by annual instalments. During 2010/11 £1.1m (2009/10 £0.9m) was reimbursed to the Pension Fund, the remaining amount to be reimbursed by instalments during the following two financial years.

## **9. RECEIVABLES**

Contributions due in respect of:

- Employers' contributions
- Employees' contributions
- Other receivables

<b>2010/11</b>	<b>2009/10</b>
<b>£000</b>	<b>£000</b>
515	521
160	165
1,887	31
<b>2,562</b>	<b>717</b>

There were no material contributions due from employer bodies which were paid late.

Included in other receivables in 2010/11 is £1.87m of capitalised early retirement costs (due to redundancy) charged by the Pension Fund in 2010/11 to Croydon Council and other bodies but not settled by them as at 31 March 2011. In 2009/10 an amount of £0.9m was charged to Croydon Council and other bodies for early retirement costs due to redundancy. At 31 March 2010 this amount had been settled.

(See Note 4 of the Statement of Accounting Policies and Principles for an explanation of early retirement costs).

## NOTES TO THE PENSION FUND ACCOUNTS

### 10. PAYABLES

	2010/11 £000	2009/10 £000
Croydon Council	(5,404)	(6,093)
Unpaid benefits	0	0
Accrued expenses	(1,188)	(799)
	(6,592)	(6,892)

The amount due to Croydon Council relates to transactions between the Fund and the Council all of which were settled through the Pension Fund bank account after the year end.

### 11. ADMINISTRATIVE EXPENSES

	2010/11 £000	2009/10 £000
Pensions administration and payroll (see note below)	1,523	1,291
Actuarial expenses and valuation fees	112	53
Other administrative expenses	97	153
	1,732	1,497

£732k (2009/10 £708k) of Croydon Council's Pensions and Treasury section officers' time and related on-costs has been recharged to the Pension Fund. These relate to Croydon Council's costs of pensions administration and the non-investment accounting work.

### 12. INVESTMENT MANAGEMENT EXPENSES

	2010/11 £000	2009/10 £000
Fund managers' fees (see (a) below)	1,539	509
Investment advisors' fees	195	277
Direct salary and other related expenses (see (b) below)	151	309
	1,885	1,095

(a) Fund managers' fees for segregated funds are based on the value of the funds under their control. The charges for pooled funds are deducted at source from the investments held.

(b) £114k (2009/10 £291k) of Croydon Council's Pensions and Treasury section officers' time and related on-costs has been recharged to the Pension Fund in relation to all aspects of administering the investments of the Pension Fund including investment monitoring.

### 13. INVESTMENT INCOME

	2010/11 £000	2009/10 £000
Final distribution from the terminated UBS FTSE350 investment	103	6,745
Initial distributions from the new global equity fund managers	4,490	1,497
Distributions from Private Equity	0	81
Henderson property funds	0	280
Interest on cash deposits	11	0
Other interests	225	527
	4,829	9,130

### 14. LUMP SUMS

	2010/11 £000	2009/10 £000
Lump sum retirement benefits	6,547	7,533
Ill health retirement grants	1,135	1,124
Death grants	632	431
	8,314	9,088

## NOTES TO THE PENSION FUND ACCOUNTS

### 15. TRANSFERS VALUES PAID AND TRANSFERS VALUES RECEIVED

	Transfers paid		Transfers received	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Group transfers	0	0	0	0
Individual transfers	5,376	6,324	8,324	9,877
<b>Total</b>	<b>5,376</b>	<b>6,324</b>	<b>8,324</b>	<b>9,877</b>

### 16. DETAILS OF STOCK RELEASED TO THIRD PARTIES UNDER STOCK LENDING ARRANGEMENT

There was no stock released to third parties under a stock lending arrangement.

### 17. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

There were no contingent liabilities at 31 March 2011. The Fund had the following contractual commitments denominated in Sterling, Euros and Dollars.

Fund Manager	Committed 000s	Drawn 000s	Due 000s
Pantheon			
USA IV Fund	\$16,151	\$13,970	\$2,181
Asia III Fund	\$1,997	\$1,788	\$209
Asia VI Fund	\$12,000	\$1,260	\$10,740
Euro III Fund	€ 12,299	€ 10,946	€ 1,353
Equitix	£10,000	£7,906	£2,094
Knightsbridge	\$13,000	\$2,210	\$10,790

### 18. DETAILS OF ADDITIONAL CONTRIBUTIONS NOT INCLUDED IN PENSION FUND ACCOUNTS

In accordance with the Pension Scheme (Management and Investment of Funds) Regulations 1998, there were no additional contributions included in the Pension Fund Accounts since all Additional Voluntary Contributions (AVC's) are sent directly to the relevant AVC provider.

### 19. TOTAL CONTRIBUTIONS RECEIVABLE

There were no special or additional contributions receivable in the year.

### 20. TAXATION

Investment income is subject to UK tax which the Fund cannot recover under current tax legislation except for tax deducted at source from Real Estate Investment Trusts (REIT's). With respect to overseas tax, where a taxation agreement exists between this country and another whereby a proportion of withholding tax deducted from investment income can be recovered, this will be reclaimed, although the amount and timescales vary from one country to another.

### 21. MEMBERSHIP

Membership of the Fund consists of current and ex-employees not of pensionable age, retired employees and dependants.

	2010/11	2009/10	% change
Contributing members	6,766	6,890	(1.80%)
Deferred pensioners	5,841	5,560	5.05%
Pensioners	5,995	5,760	4.08%
<b>Total</b>	<b>18,602</b>	<b>18,210</b>	<b>2.15%</b>

## 22. CONTRIBUTIONS TO THE FUND

Employees in the scheme are required by the Local Government Pension Scheme Regulations 1997 as amended in April 2007 to make contributions to the Fund by deductions from earnings. The contribution rate payable is determined by the pay band applicable to each individual employee. The pay bands are detailed below:

Band	Range £	Contribution Rate
1	0 -12,600	5.5%
2	12,601-14,700	5.8%
3	14,701-18,900	5.9%
4	18,901-31,500	6.5%
5	31,501-42,000	6.8%
6	42,001-78,700	7.2%
7	78,701+	7.5%

### Manual Workers Banding - Year Commencing

1 April 2008	5.25%	Note. 2010/11 is the final year of phasing in for manual workers.
1 April 2009	5.50%	From 2011/12 onwards they will pay contributions within the same
1 April 2010	6.50%	bands and rates as all other employees.

For the year ended 31 March 2011 the employers' rate was 23.2% of pensionable pay for Croydon Council, the schools' non-teaching staff and scheduled bodies. Admitted bodies rates varied depending upon the rates determined by the Actuary.

## 23. PUBLIC SECTOR PENSION INCREASES

In his budget statement on 22 June 2010, the Chancellor announced that the government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practice in the past.

The actuaries have allowed for this change, by assuming that over the long term CPI will be less than RPI by 0.5% p.a. The effect of this is to reduce the calculated value of an employer's liabilities for accounting purposes, normally by about 5-8%. The reduction for the London Borough of Croydon is £59.98m. The adjustment is disclosed as a negative "past service cost" (i.e. past service gain) in the accounting figures. The actuaries approach is consistent with CIPFA's LAAP Bulletin 89.

## 24. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS FOR THE PURPOSES OF IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

In order to assess the value of the benefits on this basis, we have used the same actuarial assumptions as those used for funding purposes, other than the discount rate where we have used a rate of 5.6% p.a., rather than the rate as outlined above. We have also used valuation methodology in connection with ill-health and death benefits which is consistent with IAS 19. On this basis, the value of the Fund's promised retirement benefits as at 31 March 2010 was £951 million.

We have also carried out similar calculations as at the previous actuarial valuation date of 31 March 2007, using the same actuarial assumptions as those used for funding purposes at that date, other than the discount rate where we have used a rate of 5.4% p.a. On this basis, the value, for IAS 26 purposes, of the Fund's promised retirement benefits at that date was £913 million.

### John Livesey

Fellow of the Institute and Faculty of Actuaries  
Mercer Limited  
01 May 2011

Note 24 is the relevant extract from the Statement by the Consulting Actuary. The Statement is required under Regulation 34(1)(d) of The Local Government Pension Scheme (Administration) Regulations 2008, and is appended to the Pension Fund accounts.



**ACCOUNTING POLICIES**

Rules and practices adopted by the Council that dictate how transactions and events are shown or costed.

**ACCRUAL**

An amount charged to the revenue accounts for goods or services received during the year for which payments have not yet been made and income due but not received.

**ACTUARY**

An independent professional who advises on the position of a pension fund.

**BALANCES**

The amounts remaining at the year-end on the various funds of the Council.

**CAPITAL EXPENDITURE**

Expenditure on new fixed assets which will give benefit for a number of years. It can be financed from borrowing, where as revenue expenditure is paid for out of the current year's income.

**CAPITAL RECEIPT**

A receipt from the sale of surplus fixed assets, e.g. land, buildings, etc.

**COLLECTION FUND ACCOUNT**

A fund operated by the billing Authority into which all receipts of Council Tax and National Non-Domestic Rates are paid.

**COMMUNITY ASSET**

An asset that an Authority intends to hold in perpetuity, and that has no determinable finite useful life.

**CONTINGENT LIABILITY**

An expense that may be incurred in the future.

**COUNCIL TAX**

A locally determined charge based on domestic property values levied by a local Authority to enable it to provide its services.

**DEPRECIATION**

The consumption of the value of an asset due to age, wear and tear, deterioration or obsolescence.

**EARMARKED RESERVE**

An amount set aside for specific purposes falling outside the definition of provisions.

**FIXED ASSET**

A tangible asset that yields benefit to an Authority and the services it provides for a period of more than one year.

**GENERAL FUND (GF)**

The account that summarises the revenue costs of providing services that are met by the Council's demand on the Collection Fund, specific Government grants and other income.

**GROSS EXPENDITURE**

Total expenditure before deducting income.

**HOUSING REVENUE ACCOUNT (HRA)**

The Housing Revenue Account reflects a statutory obligation (Section 75 of the 1989 Act) to account separately for local Authority housing provision. It identifies the major elements of housing revenue expenditure - maintenance, administration, rent rebates, and capital costs - and how these are met by rents, subsidy and other income.

**INFRASTRUCTURE ASSETS**

Fixed assets that cannot be easily disposed of, expenditure on which is only recovered by continued use of the asset e.g. highways and footpaths.

**INTANGIBLE ASSET**

A fixed asset that does not have physical substance, e.g. software licenses.

**INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

International Financial Reporting Standards (IFRS) is a set of accounting standards, developed by the International Accounting Standards Board (IASB). Local authorities will move to accounting on an IFRS basis by 2010/11, a year after central Government and the NHS.

**MINIMUM REVENUE PROVISION (MRP)**

The minimum amount which must be charged to an Authority's revenue account in respect of repayment of debt.

**NATIONAL NON-DOMESTIC RATE (NNDR)**

The charge payable on all business premises, calculated by multiplying the rateable value of the property by a nationally set rate multiplier. The Tax is collected by Croydon and paid into a central pool. This central pool is redistributed as a proportion of Formula Grant.

**NON CURRENT ASSET**

Any asset that is expected to be held for the whole year, not sold or exchanged for example Property, Plant and Equipment.

**NON-OPERATIONAL ASSETS**

Fixed assets held by the Council but not used or consumed in the delivery of services e.g. investment properties and assets that are surplus to requirements.

**OPERATING LEASE**

A lease under which the asset can never become the property of the lessee.

**OPERATIONAL ASSETS**

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has a statutory or discretionary responsibility.

**OUTTURN**

Actual income and expenditure for a financial year.

**PAYABLE**

An amount owed by the Authority for goods and services received where payment has not been made at the date of the Balance Sheet.

**PRECEPT**

An amount charged to the Collection Fund to finance services provided by another Authority, e.g. the Greater London Authority.

**PRIVATE FINANCE INITIATIVE (PFI)**

Government initiative under which the Council buys the services of a private sector to design, build, finance and operate a public facility.

**PROVISION**

Amounts set aside for any liability or loss that is likely to be incurred, but where the exact amount and date is uncertain.

**RECEIVABLE**

An amount owed to the Authority for goods and services provided at the date of the Balance Sheet.

**REVENUE EXPENDITURE**

The regular day to day running costs incurred in providing services e.g. employee costs and purchase of materials.

**REVENUE SUPPORT GRANT (RSG)**

A Government subsidy based on the needs and resources of an Authority.

**SORP**

Statement of Recommended Practice. Its aims are to specify the principles and practices of accounting required to prepare a Statement of Accounts which represents a 'true and fair view' of the financial position and transactions of a local Authority.

**SUPPORT SERVICES**

Activities of a professional, technical and administrative nature, which are not local Authority services in their own right, but support front line services.

**TRADING UNDERTAKING**

An activity of a commercial nature that is financed substantially by charges to recipients of the service.